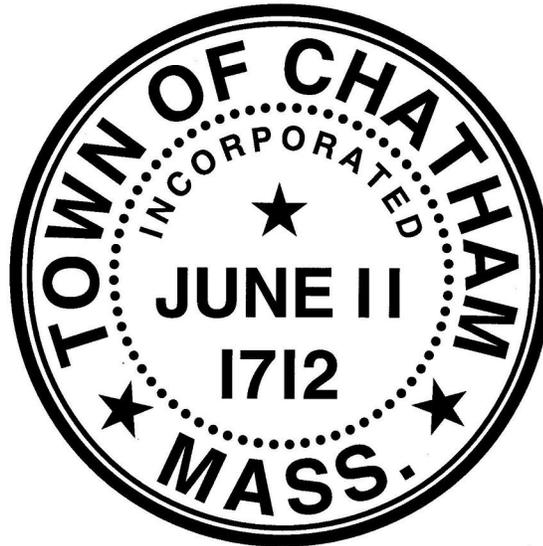


# TOWN OF CHATHAM, MASSACHUSETTS



## HOUSING PRODUCTION PLAN

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**March 2013**

# Chatham Housing Production Plan

## Acknowledgements

The members of the Chatham Affordable Housing Committee and Consultant would like to thank the following people for their contributions to this Housing Plan:

Patti Buck, Building Inspections Division of the Community Development Department

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# Chatham Housing Production Plan

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# Chatham Housing Production Plan

## 1. Executive Summary

Chatham is among the most desirable places in the country to vacation, retire, to work in, and to raise children. However, based on a continued affordability gap, largely outside of the Town's control due to demographic and economic conditions, the community needs to strategically plan for future residential development. By establishing a proactive affordable housing policy, Chatham can continue to shape affordable housing to fit its own needs for more diversity in housing types and affordability, while still complementing the town's traditional development patterns and meeting state affordability goals.

This Housing Production Plan identifies tools for making progress on reducing the affordability gap. Through a range of strategies including zoning changes, partnerships with developers and service providers, and subsidies, the Town can continue to play a meaningful role in promoting housing options that match people to appropriately priced and sized units – producing housing that reflects the range of local needs!

### 1.1 Summary of Demographic and Housing Characteristics and Trends

The Housing Needs Assessment included in Section 3 of this Housing Production Plan provides information on demographic and housing characteristics and trends, which include the following:

#### *Recent population losses*

Chatham's population has steadily increased since 1930 with the greatest population growth occurring between 1960 and 1980. Since 1980, there has been a net increase of only 54 residents with an actual decrease of 500 residents between 2000 and 2010 to a total population of 6,125, representing a 7.5% population loss

#### *Declining numbers of younger residents and increases in older ones*

Census data indicates that the median age of residents has increased significantly from 53.9 years in 2000 to 58.9 by 2010, and those 65 years of age or older comprised more than one-third of all residents, 37.7%, in 2010.

#### *Increases in smaller households*

The average household size decreased from 2.10 to 1.95 persons between 1990 and 2010, suggesting the need for a greater number of smaller units to accommodate a growing population of single-person households and smaller families.

#### *Relatively high income levels but growing income disparities*

Incomes have increased substantially, with the median income level increasing by 45% between 1999 and 2010, from \$45,519 to \$65,990. This median income level is also relatively high in comparison to Barnstable County at \$55,294 and the state at \$63,961. Nevertheless, with the median house price at \$560,000 as of August 2012, an affordability gap becomes immediately apparent. Also, despite relatively higher incomes, there are still residents with very limited financial means including 543 households earning less than \$35,000, 348 of whom earned less than \$25,000.

***Recent increases in poverty***

Poverty increased for individuals and families between 1999 and 2010, declining only for those 65 years of age or older.

***Predominant service economy with relatively low average wages***

Chatham's economy is driven largely by tourism with a concentration of lower paying retail and service sector jobs that brings the average weekly wage to a relatively low level of \$726, about half of Boston's average weekly wage at \$1,507.

***Slower recent housing growth and high level of demolition/rebuild activity***

Since 1960 the number of housing units increased by 162%, from 2,800 to 7,343 units, while the population increased by only about half that amount or 87.1%. Moreover, despite a population loss of 500 persons between 2000 and 2010, there was a gain of 600 housing units during this same time period, a clear signal that new housing units were not typically being created for year-round residents. Since 2010 the town experienced a net gain of only 25 housing units through June 2012. Much of the new building activity has in fact been the result of demolishing previous homes and rebuilding newer more expensive ones.

***Predominance of owner-occupied, single-family detached homes, more than half of which includes seasonal units or second homes***

Chatham's housing stock is dominated by single-family detached residences, and seasonal units or second homes currently outnumber the town's year-round population. Those who do not permanently reside in Chatham in fact occupy the majority of units, 53%. While this population of occasional visitors has boosted the local economy, they have also driven up the cost of housing, creating substantial affordability gaps for many year-round residents, local workers, increasing numbers of seniors, and those who were raised locally but cannot afford to return to raise their own families.

***Housing costs remain high***

There is a strong substantial luxury housing market in Chatham as almost 63% of the owner-occupied housing stock was priced at \$500,000 or more, with more than 500 units valued above \$1 million. The median single-family home price is high, at \$560,000 as of August 2012, down considerably from prior years. A household would have to earn approximately \$130,000 if they were able to access 95% financing to afford this price. If they could afford the 20% down payment, an income of about \$105,000 would be required, much higher than the median income level of \$65,990. The median condo price was \$332,500 as of August 2012, requiring an income of about \$87,600 with 5% down and \$73,600 with the 20% down payment.<sup>1</sup>

In regard to rentals, using the lowest prices advertised in late August/early September 2012 on Craigslist, a one-bedroom unit renting for \$975 would require an income of \$43,000, assuming \$100 per month in utility bills and housing expenses of no more than 30% of the household's income. Even so, someone earning minimum wage of \$8.00 for 40 hours per week every week

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<sup>1</sup> Figures based on 80% financing, interest of 5.0%, 30-year term, annual property tax rate of \$4.45 per thousand and insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), and private mortgage insurance estimated at 0.3125 of loan amount (not needed for 80% financing). Also based on a household spending no more than 30% of its income on housing costs.

during the year would still only earn a gross income of only \$16,640. Households with two persons earning the minimum wage would still fall short of the \$43,000 in income needed to afford this minimum advertised rent. Advertised rents in 2012 were typically well above \$1,000.

***Limited supply of workforce housing***

Recent sales data from the Multiple Listing Service for single-family homes indicated few if any homes selling for under \$200,000 that would be affordable to low- and moderate-income households. Additionally, the Massachusetts Department of Housing and Community Development's most recent data on the Chapter 40B Subsidized Housing Inventory (SHI) states that Chatham had 3,460 year-round housing units<sup>2</sup>, of which 168 were counted as affordable, representing 4.68% of the year-round housing stock. Assuming future housing growth, the 10% state goal under Chapter 40B is a moving target and ultimately the required minimum number of year-round units will increase over time.

As the affordability analysis indicates in Section 3.2.7, significant gaps remain between what most current residents can afford and what housing is available. In addition to sizable income requirements, both purchasers and renters are confronted with substantial up-front cash requirements and credit checks when seeking housing. Also, long-term residents encounter difficulties keeping up with housing expenses including taxes, utilities and insurance. It is no wonder that in 2010, 884 households were spending too much on their housing (spending more than 30% of their income on housing), including 200 renters and 684 owners.

The convergence of these trends – an aging population, fewer young adults, very high housing prices, lower housing production, little housing diversity, limited supply of rentals, difficulty in obtaining financing, and large up-front cash requirements for homeownership and rentals – all point to a challenging affordability gap! If these demographic and housing trends are left to evolve unchecked, Chatham will lose ground on its ability to be a place where individuals and families across a range of economic and social strata can call home.

## **1.2 Priority Housing Needs**

Based on a Housing Needs Survey and input from a wide variety of other sources, including demographic and housing characteristics and trends (Section 3.1 and 3.2), housing goals (Section 2.2), community input, and prior planning efforts, the following priority housing needs have been identified:

***Households with Limited Incomes – Need affordable rental housing***

Despite increasing household wealth, there still remains a population living in Chatham with very limited financial means. Given the high costs of rental housing, including sizable up-front costs (first and last months rent, a security deposit, and/or moving expenses) and limited development of such units, more subsidized rental housing is necessary to make living in Chatham affordable, particularly for the community's most vulnerable residents.

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<sup>2</sup> The census calculates year-round units by subtracting seasonal units or second homes from the total unit count.

***Gaps in Affordability and Access to Affordable Housing – Need affordable homeownership opportunities***

Housing in Chatham is expensive with large gaps between what housing costs and what many year-round residents can afford. Even though the town has a very high level of homeownership, 77%, there would be a public benefit for the town to promote opportunities for newer and younger households to purchase a home and establish roots in Chatham. A wider range of affordable housing options is needed for these younger households entering the job market and forming their own families as well as municipal employees, other town employees, and seniors looking to downsize. Efforts to help prevent foreclosures should also be bolstered.

***Housing Conditions – Need home improvement resources***

More than two-thirds of the housing stock was built before 1980 and may have deferred maintenance needs as well as traces of lead-based paint that pose safety hazards to children. Because properties in Chatham are largely reliant on septic systems, it is also likely that there are homes with failing systems that require repair or replacement, which is particularly worrisome given the sensitive environmental conditions on Cape Cod.

***Special Needs Housing – Need barrier-free units and supportive services***

There were significant numbers of residents who claimed some type of disability, and given the aging of the population, greater emphasis should be placed on housing that includes supportive services and increased conformance with universal design guidelines for handicapped accessibility, adaptability and visitability.

### **1.3 Summary of Housing Production Goals**

The state administers the Housing Production Program that enables cities and towns to adopt an affordable housing plan that demonstrates production of 0.50% over one year or 1.0% over two-years of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory (SHI).<sup>3</sup> Chatham would have to produce at least 17 affordable units annually based on these goals, a formidable challenge, and housing growth will continue to drive-up the 10% goal.

If the state certifies that the locality has complied with its annual production goals, the Town may be able, through its Zoning Board of Appeals, to deny comprehensive permit applications without the developer's ability to appeal the decision.<sup>4</sup> Production goals over the next five (5) years include the creation of an estimated 63 affordable units and 138 total housing units that includes 67 market rate units.

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<sup>3</sup> The state has issued changes to Chapter 40B that included modifications to the Planned Production requirements. For example, the annual production goals are instead based on one-half of one percent of total housing units and plans are now referred to as Housing Production Plans (HPP).

<sup>4</sup> If a community has achieved certification within 15 days of the opening of the local hearing for the comprehensive permit, the ZBA shall provide written notice to the applicant, with a copy to DHCD, that it considers that a denial of the permit or the imposition of conditions or requirements would be consistent with local needs, the grounds that it believes have been met, and the factual basis for that position, including any necessary supportive documentation. If the applicant wishes to challenge the ZBA's assertion, it must do so by providing written notice to DHCD, with a copy to the ZBA, within 15 days of its receipt of the ZBA's notice, including any documentation to support its position. DHCD shall review the materials provided by both parties and issue a decision within 30 days of its receipt of all materials. The ZBA shall have the burden of proving satisfaction of the grounds for asserting that a denial or approval with conditions would be consistent local needs, provided, however, that any failure of the DHCD to issue a timely decision shall be deemed a determination in favor of the municipality. This procedure shall toll the requirement to terminate the hearing within 180 days.

#### 1.4 Summary of Housing Strategies

The strategies summarized in Table 1-1 are based on previous plans, reports, studies, the Housing Needs Survey, the Housing Needs Assessment, local housing goals, community input, and the experience of other comparable localities in the area and throughout the Commonwealth. The strategies are grouped according to the type of action proposed – Building Local Capacity, Zoning and Regulatory Strategies, Production Initiatives and Direct Assistance – and categorized according to priority as those to be implemented within Years 1 and 2 and those within Years 3 to 5. The strategies also reflect state requirements that ask communities to address a number of major categories of strategies to the greatest extent applicable.<sup>5</sup> Also, while a major goal of this Plan is to eventually meet the state's 10% affordability threshold under Chapter 40B, another important goal is to serve the range of local housing needs. Consequently, there are instances where housing initiatives might be promoted to meet community needs that will not necessarily result in the inclusion of units in the Subsidized Housing Inventory (SHI).

*It is also important to note that these strategies are presented as a package for the Town to consider, prioritize, and process, each through the appropriate regulatory channels.* Moreover, the proposed actions present opportunities to judiciously invest limited Community Preservation funding and the Housing Trust Fund to build local capacity, modify or create new local zoning provisions, and subsidize actual unit production (predevelopment funding and/or subsidies to fill the gap between total development costs and the affordable rent or purchase prices) that leverage other necessary resources.

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<sup>5</sup> Massachusetts General Law Chapter 40B, 760 CMR 56.03.4.

Table 1-1 Summary of Housing Strategies	Priority for Implementation			# Affordable Units	Responsible Parties***
	In Years 1-2	In Years 3-5			
<b>6.1 Capacity Building Strategies</b>					
1. Capitalize the Affordable Housing Trust Fund	X		*	BOS/CPC/AHT	
2. Conduct ongoing community education	X		*	AHC/CHA/COA	
3. Establish a working relationship between the AHC and EDC as well as the PB	X		*	AHC/EDC/PB	
<b>6.2 Zoning and Regulatory Strategies</b>					
1. Modify existing bylaws Accessory apartment Small lot development Inclusionary zoning	X	X X	6	PB/AHC	
2. Explore tax relief for year-round rentals		X	*	PB/AHC	
3. Promote mixed-use development		X	5	PB/AHC/EDC	
<b>6.3 Production Strategies</b>					
1. Make suitable public property available for affordable housing	X		39	BOS/AHC	
2. Promote "friendly 40B" development	X		41**	BOS/AHC/ZBA	
3. Encourage special needs housing		X	8	AHC	
<b>6.4 Direct Assistance Strategies</b>					
1. Continue funding local housing programs	X			BOS/CPC/AHC	
2. Help qualifying residents access housing assistance	X			AHC/CHA/COA	

Indicates actions for which units are counted under other specific housing production strategies, have an indirect impact on production, do not add to the Subsidized Housing Inventory, or cannot be counted towards production goals.

\*\* Includes a regular 40B development and the units included above under 6.2.1.

\*\*\* Abbreviations

Affordable Housing Committee = AHC

Affordable Housing Trust = AHT

Board of Selectmen = BOS

Planning Board = PB

Zoning Board of Appeals = ZBA

Chatham Housing Authority = CHA

Economic Development Committee = EDC

Council on Aging = COA

Community Preservation Committee = CPC

## 2. INTRODUCTION

### 2.1 Background and Purpose of the Project

The Town of Chatham sits on the elbow of Cape Cod, surrounded on three sides by water. Its beaches and historic seaside charm have attracted visitors from all over the world for decades. Not only has Chatham been a much sought-after destination for a vacation, but it has also drawn those looking for a second home or retirement. This has significantly affected the town's socio-economic character and housing mix as about 53% of all Chatham's housing units were seasonal or second homes, median income levels and housing prices were among the highest in the state, and almost 40% of town residents were 65 years of age or older. During the summer months the population explodes to more than 25,000, putting significant pressures on Town services and existing housing.

Between 1960 through 2000, Chatham's population doubled with a 500-person decrease in population between 2000 and 2010 to a total population of 6,125. Housing growth in fact has outstripped population growth considerably with a 141% increase in housing units between 1960 and 2000 and then a 600-unit gain since 2000 to a total number of housing units of 7,343 by 2010. This is a clear signal that most new housing units are being built largely for part-time residents who have a greater ability to afford the high costs. Much of the recent housing development has involved the demolition of existing homes and replacement with more expensive dwellings.

Like most communities on Cape Cod, there is a substantial gap between the costs of housing, whether ownership or rental, and what many local year-round residents can afford. Affordability is a particular problem for those lower wage workers who are seasonal and support the town's important tourism industry. Affordable housing production has been intermittent since 1960 and has not kept up with the rapid growth of the community. The result is an affordable housing shortage that threatens the character and viability of the town. Consequently, the Town of Chatham has been experiencing a housing crisis that affects the town's social and economic health as more year-round residents are forced to leave the community or make adjustments in where they spend the summer when seasonal visitors outbid them for available units.

Chatham currently has 4.86% of its year-round housing stock considered affordable. By definition, "affordable" means units directed to household earning at or below 80% of area median income (AMI) who pay no more than 30% of their income on housing. The Commonwealth has established a goal of having 10% of the housing stock affordable for all communities, which the Town of Chatham has embraced in its Long Range Comprehensive Plan, subsequent Affordable Housing Action Plans, and its Community Preservation Master Plan. The Town of Chatham also recognizes the need to provide some housing for those earning above 80% AMI but are still priced out of the housing market.

The Affordable Housing section of Chatham's Long Range Comprehensive Plan begins with this quote:

*"When one compares the maximum affordable home purchase prices for an average, locally-employed Chatham couple or family to the average listing price for Chatham*

*residential properties, it is clear that there is a remarkable affordability gap for locally-employed Chatham workers and residents who wish to acquire their own home.”*

The quote was from Affordable Housing Strategies for Chatham written in June 1988, but it still applies today.

The need for greater housing diversity to serve the wide range of local needs has not only been documented in previous plans but also emerged as an important theme in a survey that was conducted in 2006. This survey of residents reinforced the need for affordable, first-time homeownership units, housing (both ownership and rental) for individuals, options for seniors, and a housing rehabilitation program. The survey also indicated that there were unmet housing needs for households earning above 80% AMI, still without sufficient resources to afford market housing.

This Housing Production Plan provides guidance to help the Town meet the housing needs of the community as well as to get closer to the 10% state affordability threshold. In accordance with state Housing Production guidelines, this Plan projects affordable housing creation equal to 0.50%, or 17 units per year of the total year-round housing stock (3,460) based on the 2010 Census. If the Town can produce this level of affordable housing in any calendar year, it will be able to deny inappropriate comprehensive permit projects without the developer's ability to appeal the decision, thus gaining greater local control over housing development.

## **2.2 Goals and Objectives**

This Housing Production Plan includes five (5) housing goals that serve as the context for the strategies that are proposed in Section 6, most of which have been included in the Local Comprehensive Plan or previous draft Affordable Housing Plan. These goals include the following:

- Provide a wide range of safe and affordable housing opportunities to meet diverse housing needs
- Strive to reach the state 10% affordable housing goal
- Preserve the existing affordable housing stock
- Assure new housing production is harmonious with the existing community and the Local Comprehensive Plan
- Maximize local interest and investment in affordable housing, leveraging public and private funds to the greatest extent possible in the production and preservation of affordable housing

### 3. HOUSING NEEDS ASSESSMENT<sup>6</sup>

This Housing Needs Assessment presents an overview of current demographic and housing characteristics and trends for the town of Chatham, providing the context within which a responsive set of strategies can be developed to address identified housing needs and meet production goals.

#### 3.1 Demographic Profile

It is important to closely examine social and economic characteristics, particularly past and future trends, in order to understand the composition of the population and how it relates to community housing needs. Key questions to be addressed in this Needs Assessment include the following:

- What have been the town's growth trends, particularly since 2000?
- What are the variations in household size and types of households that suggest unmet or greater housing needs?
- What are the ramifications of increases and decreases of various age groups in regard to housing needs?
- What changes in income levels have occurred and how does this relate to housing affordability?
- What proportion of the population has special needs that suggest the need for supportive services or home modifications?

These and other social and economic issues are discussed in the following sections.

##### *3.1.1 Population Growth – Recent population losses*

As noted in Table 3-1, Chatham's population has steadily increased since 1930 with the greatest population growth occurring between 1960 and 1980. Since 1980, there has been a net increase of only 54 residents with an actual decrease of 500 residents between 2000 and 2010 to a total population of 6,125, representing a 7.5% population loss. Some of this loss might be explained by the transition from year-round residents to second-home owners who invest in a property, rent it for parts of the year, and plan to ultimately use the home full-time upon retirement.

**Table 3-1: Population Change, 1930 to 2010**

Year	Total Population	Change in Number	Percentage Change
1930	1,931	--	--
1940	2,136	205	10.6
1950	2,457	321	15.0
1960	3,273	816	33.2
1970	4,554	1,281	39.1
1980	6,071	1,517	33.3
1990	6,579	508	8.4
2000	6,625	46	0.7
2010	6,125	-500	-7.5
As of 9/10/12	6,154	29	0.5

Source: U.S. Census Bureau, 2010, the University of Massachusetts Donahue Institute State Data Center, and the Chatham Town Clerk's Office.

<sup>6</sup> It should be noted that this Housing Needs Assessment includes the most up-to-date data available. When 2010 census data is not available, the most recent issue of the Census Bureau's American Community Survey (ACS) is used for various types of data. Because the ACS is based on a sample, it is subject to sampling error and variation.

Town records as of September 10, 2012 indicate a year-round population of 6,154. This suggests a fair amount of population stability since 2010, with an increase of only 29 residents.

Projections from the Massachusetts Institute for Social and Economic Research (MISER)<sup>7</sup> estimate growth well beyond which actually occurred by 2010 and even the most conservative estimates through 2020 are likely to overestimate growth over the next decade.

**Table 3-2: Chatham Projected Population (2010 and 2020)**

	1980 Census	1990 Census	2000 Census	2010 Projection	2020 Projection
Low	6,071	6,579	6,625	6,527	6,430
Middle	6,071	6,579	6,625	6,732	6,877
High	6,071	6,579	6,625	6,930	7,335

Source: Massachusetts Institute for Social and Economic Research (MISER), University of Massachusetts, 2003

### ***3.1.2 Racial Composition – Slight declines in minority residents***

As shown in Table 3-3, the racial composition of Chatham’s population is predominately White at 96.1% of all residents from 94.1% in 2000. With a decrease of 500 total residents between 2000 and 2010, the minority population decreased from 300 to 240 residents. Barnstable County’s population also decreased between 2000 and 2010, by 2.9%, but its minority population increased from 5.8% in 2000 to 7.3% by 2010.

**Table 3-3: Population by Race, 2000 and 2010**

	2000		2010	
	Number	%	Number	%
Total	6,625	100.0	6,125	100.0
White alone	6,325	94.7%	5,885	96.1
Black or African American alone	40	0.6%	86	1.4
American Indian/Alaska Native alone	64	1.0%	16	0.3
Asian alone	31	0.5%	36	0.6
Native Hawaiian/Other Pacific Islander alone	8	0.1%	0	0.0
Some other race alone	100	1.5%	38	0.6
Two or more races	112	1.7%	64	1.0

Source: US Census Bureau, 2000 and 2010

### ***3.1.3 Age Distribution – Declining numbers of younger residents and increases in older ones***

Census data indicates that the median age of residents has increased significantly from 53.9 years in 2000 to 58.9 by 2010. When compared to the median ages of Barnstable County and

<sup>7</sup> The Massachusetts Institute for Social and Economic Research (*MISER*) was founded in 1981 by the University of Massachusetts. The Donahue Institute has assumed the responsibilities of *MISER* as an interdisciplinary research institute and the Lead Agency in the State Data Center (SDC) program. It serves as the liaison between the Commonwealth and the US Bureau of the Census and houses all the latter’s data on Massachusetts. Data also includes population projections. These projections are available for Massachusetts, its counties, cities and towns for the years 2010 and 2020. They include a low, middle and high projection series. Details of the methodology can be found at <http://www.umass.edu/miser/population/Documents/MAProjMethodology.doc>

the state at 49.9 years and 39.1 years, respectively, the community is considerably older than the both region (by 9.3 years) and state as a whole (by 17.4 years). When looking at the median age breakdown by sex, the differentials are similar to the values for both sexes in the county and the state, as shown in Table 3-4, but confirming that women are living longer.

**Table 3-4: Median Age, 2000 and 2010**

	Chatham		Barnstable County		Massachusetts	
	2000	2010	2000	2010	2000	2010
Both Sexes	53.9 years	58.9 years	44.6 years	49.9 years	36.5 years	39.1 years
Male	51.6 years	57.4 years	42.9 years	48.1 years	35.4 years	37.7 years
Female	56.7 years	60.5 years	46.1 years	51.4 years	37.7 years	40.3 years

Source: US Census Bureau, 2000 and 2010.

Census data regarding the changes in the age distribution from 1990 to 2010 is provided in Table 3-5 and visually presented in Figure 3-1. In general, there were significant declines in the younger age categories and major population gains in the older ones as summarized below.

- Children – Declining population*  
The number and proportion of children has declined markedly over the past several decades. Those school-age children under age 18 decreased by 24% between 1990 and 2010, from 15.0% of the population to 12.2%. In comparison, the percentage of those under 18 was 21.7% for the state in 2010.
- College age residents – Numbers decreased significantly*  
Young residents in the 18 to 24-age range decreased by 37.8% between 1990 and 2010, from 360 residents to 224.
- Young adults – Decreased by almost half*  
Younger adults in the family formation stage of their lives, the 25 to 34-age range, also decreased significantly between 1990 and 2010, dropping to 6.4% of the population in 2010 from 11.1% in 1990, and from 728 to 394 residents or by almost 46%. Even those who were somewhat older, age 35 to 44, decreased by about 35%. Clearly an increasing number of those who were raised in Chatham are choosing to live elsewhere. The high cost of housing is likely a factor although the relative scarcity of well-paying jobs is probably the greatest contributing factor.
- Baby boomers – Substantial increases*  
Those in the 45 to 64-age range, many of the baby boomer generation during these decades, increased significantly, going from 22.1% of the population in 1990 to almost one-third by 2010.
- Older adults – Substantial population of residents 65 years or older*  
The number of those 65 years of age and older remained relatively flat between 1990 and 2010, showing only a net gain of 67 residents. Nevertheless, this age group comprises more than one-third of all residents, 37.7%, by 2010. Certainly Chatham’s reputation as a retirement community is well earned. Of particular note were the frail elderly of at least age 85 who increased by 44% during these two decades.

**Table 3-5: Age Distribution, 1990 to 2010**

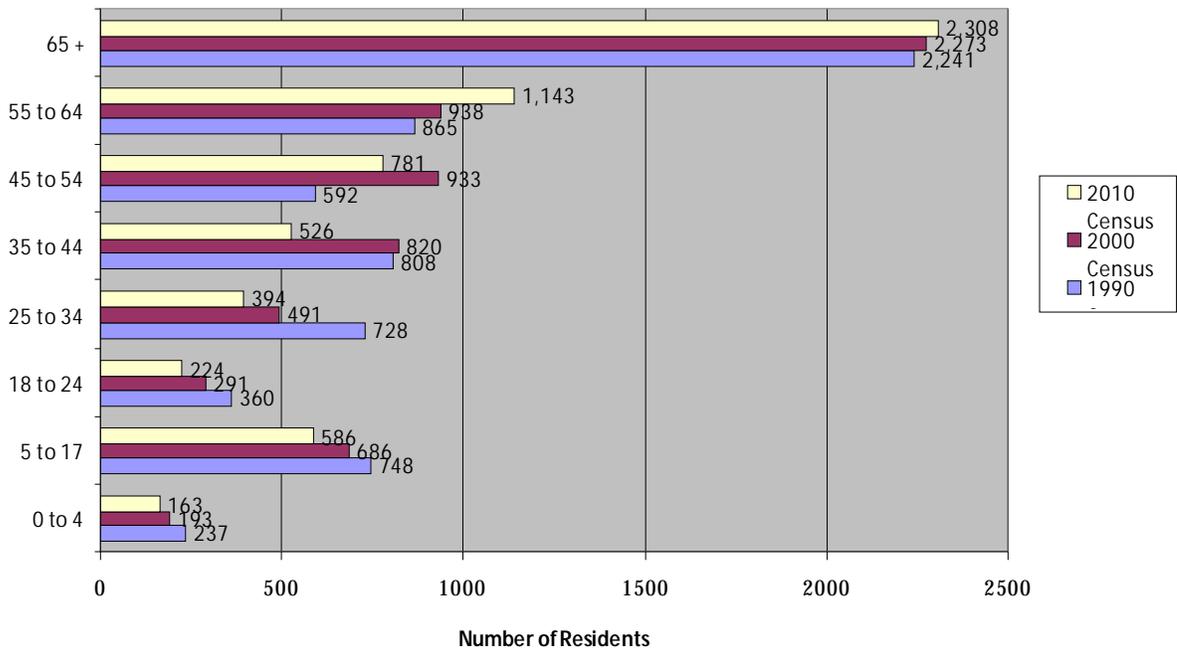
Age Range	1990		2000		2010	
	#	%	#	%	#	%
Under 5 Years	237	3.6	193	2.9	163	2.7
5 – 17 Years	748	11.4	686	10.4	586	9.6
18 – 24 Years	360	5.5	291	4.4	224	3.7
25 – 34 Years	728	11.1	491	7.4	394	6.4
35 – 44 Years	808	12.3	820	12.4	526	8.6
45 – 54 Years	592	9.0	933	14.1	781	12.8
55 – 64 Years	865	13.1	938	14.2	1,143	18.7
65 – 74 Years	1,151	17.5	1,062	16.0	1,105	18.0
75 – 84 Years	807	12.3	851	12.8	795	13.0
85+ Years	283	4.3	360	5.4	408	6.7
<b>Total</b>	<b>6,579</b>	<b>100.0</b>	<b>6,625</b>	<b>100.0</b>	<b>6,125</b>	<b>100.0</b>
Under 18	985	15.0	879	13.3	749	12.2
Age 65+	2,241	34.1	2,273	34.3	2,308	37.7

Source: US Census Bureau, 1990, 2000 and 2010

Figure 3-1 dramatically displays this significant shrinking of the younger age groups and the relative dominance of those residents 65 years of age or older.

**Figure 3-1**

**Changes in Age Distribution: 1990 to 2010**



**3.1.4 Households – Smaller non-family households increasing**

As shown in Table 3-6, the number of households increased between 1990 and 2000, from 3,023 to 3,160, and then decreased to 3,085 by 2010. This decrease is reflective of the population loss

during this period, although it is surprising that the number of households did not plummet further as there was only a decrease of 75 households in relationship to a 500-person population decline. The average household size also continued to decrease during this time.

**Table 3-6: Household Characteristics, 1990 to 2010**

	1990		2000		2010	
	#	%	#	%	#	%
Total Households	3,023	100.0	3,160	100.0	3,085	100.0
Family Households*	1,917	63.4	1,887	59.7	1,776	57.6
Female Headed Families w/Children *	76	2.5	92	2.9	90	2.9
Non-family Households *	1,106	36.6	1,273	40.3	1,309	42.4
Persons living Alone 65 years + **	583	19.3	595	18.8	626	20.3
Average Household Size	2.10 persons		2.00 persons		1.95 persons	

Source: U.S. Census Bureau, Census 1990, 2000 and 2010

\* Percent of all households \*\* Percent of total population

The average household size in fact decreased from 2.10 to 1.95 persons between 1990 and 2010. This level is considerably lower relative to the county and state at 2.21 and 2.48 persons, respectively. The decrease in average household size is correlated to more smaller, non-family households<sup>8</sup>, which grew from 1,106 in 1990 to 1,309 by 2010. In 2010, these non-family households comprised more than 40% of all households in Chatham including one-fifth of all households who were living alone and 65 years of age or older. *This data further suggests a need for a greater number of smaller units to accommodate a growing population of single-person households and smaller families.*

### 3.1.5 Income – Relatively high income levels but growing income disparities

Table 3-7 presents income data based on the 1999 decennial census count as well as estimated 2010 data from the Census Bureau’s 2006-2010 American Community Survey. This information is also visually presented in Figure 3-2.

**Table 3-7: Household Income Distribution, 1999 and 2010**

Income Range	1999		2010	
	#	%	#	%
Under \$10,000	158	5.0	151	5.2
10,000-24,999	682	21.6	197	6.8
25,000-34,999	469	14.9	195	6.7
35,000-49,999	414	13.1	476	16.4
50,000-74,999	576	18.2	598	20.6
75,000-99,999	387	12.3	365	12.5
100,000-149,999	301	9.5	433	14.9
150,000 +	170	5.4	494	17.0
Total	3,157	100.0	2,909	100.0
Median income	\$45,519		\$65,990	

Sources: US Census Bureau, 2000 Summary File 3 and American Community Survey 2006-2010.

<sup>8</sup> Includes individuals and unrelated household members.

Incomes have increased substantially, with the median income level increasing by 45% between 1999 and 2010, from \$45,519 to \$65,990. This median income level is also relatively high in comparison to Barnstable County at \$55,294 and the state at \$63,961. Nevertheless, with the median house price at \$560,000 in August 2012, an affordability gap becomes immediately apparent.

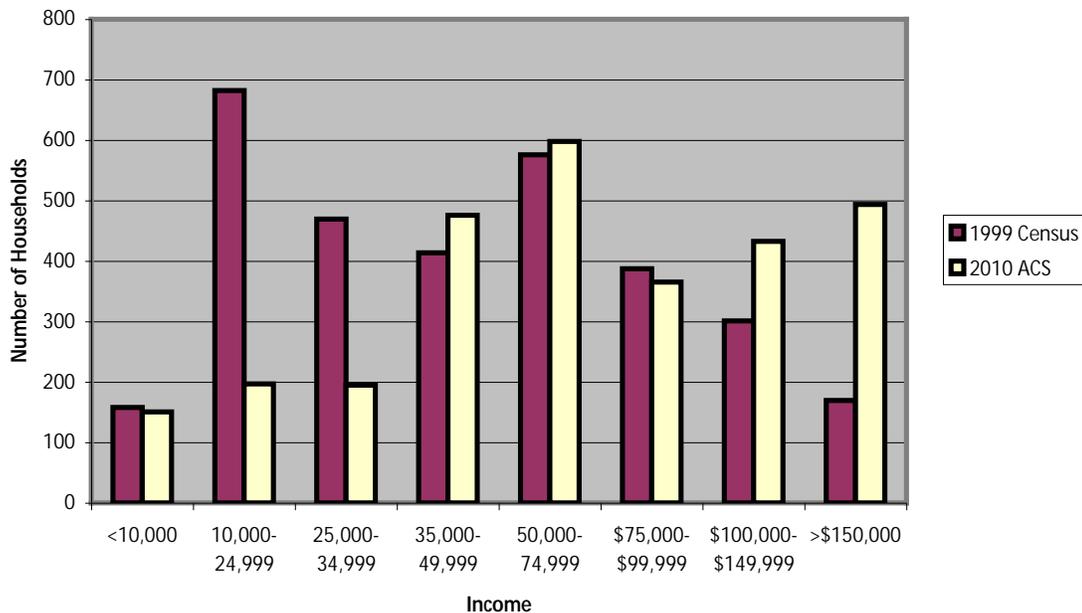
Despite this growing prosperity, there are still residents with very limited incomes including 543 households earning less than \$35,000, 348 of whom earned less than \$25,000. All other income ranges of more than \$35,000 saw proportional increases between 1999 and 2010, with about 15% of all households earning more than \$100,000 in 1999 compared to almost one-third by 2010. The level of higher-income households earning more than \$75,000 was comparable to the state, at 44.4% as opposed to 43.1% of all households but significantly higher than the County level of 35.7%.

While non-family households comprised about 42% of all households in 2010, the median income of families was considerably higher, \$70,458 versus \$35,032, a finding highly correlated with the greater prevalence of two worker households in families.

The Town's per capita income was \$28,594 in 2000, more than the state average of \$25,952. By 2010, estimates indicate that the per capita income had increased to \$48,729, high in comparison to \$33,969 for the state and \$33,145 for the county.

Figure 3-2

Income Distribution 1999 and 2010



A comparison of 2010 income levels for owners and renters is provided in Table 3-8. More than half (55.7%) of renters earned within \$50,000 compared to only 30% of homeowners. On the other hand, half of the homeowners earned more than \$75,000 compared to only 17% of the renter households. The income disparity between owners and renters is also reflected in median

income levels of \$75,417 and \$43,634, respectively. Nevertheless, these figures represent higher median income levels in comparison to the county where they were \$63,355 and \$33,462 for owners and renters, respectively. Given such high relative costs of housing in Chatham, it is not surprising that median income levels in Chatham were higher.

**Table 3-8: Income Distribution by Owner and Renter Households, 2010**

Income Range	Homeowners		Renters	
	#	%	#	%
Under \$10,000	100	4.2	51	9.9
10,000-24,999	135	5.6	62	12.0
25,000-34,999	183	7.7	12	2.3
35,000-49,999	313	13.1	163	31.5
50,000-74,999	458	19.1	140	27.1
75,000-99,999	356	14.9	9	1.7
100,000-149,999	405	16.9	28	5.4
150,000 +	442	18.5	52	9.9
Total	2,392	100.0	517	100.0
2010 Median income	\$ 75,417		\$43,634	

Source: U.S. Census Bureau, 2006-2010 American Community Survey

These income figures are based on the Town's year-round population, not those who live in town for parts of the year. This group of occasional residents, who occupy more than half of Chatham's housing units, are likely to have significantly higher average incomes in order to afford the high costs of seasonal units or second homes.

### ***3.1.6 Poverty Status – Recent increases in poverty***

Table 3-9 confirms that poverty increased for individuals and families between 1999 and 2010, declining only for those 65 years of age or older. While these figures are disconcerting, the level of poverty was somewhat lower than that for the state as a whole, where 10.8% of all individuals were living in poverty in 2010, as opposed to 7.0% in Chatham.<sup>9</sup> The ability to provide affordable housing options for those with very limited incomes is a continuing challenge and a pressing need.

**Table 3-9: Poverty Status, 1999 and 2010**

Demographic Type	1999		2010	
	#	%	#	%
Individuals Below Poverty *	311	4.8	429	7.0
Families **	36	1.9	55	3.1
Related Children Under 18 Years ***	42	5.1	71	9.5
Individuals 65 and Over****	80	3.7	53	2.3

Sources: US Census Bureau, 1990 and 2000 Summary File 3 and American Community Survey 2006-2010 Estimates. \* Percentage of total population \*\* Percentage of all families \*\*\* Percentage of all children under 18 years \*\*\*\* Percentage of all individuals age 65+

<sup>9</sup> The 2011 federal poverty level from the U.S. Department of Health and Human Services was \$10,890 for an individual and \$18,530 for a three-person household.

### 3.1.7 Employment – Predominant service economy with relatively low average wages

Chatham's economy is driven largely by tourism, and a large segment of the labor force is tied to the service and retail industries. Of those 5,440 Chatham residents over the age of 16 in 2010,<sup>10</sup> 3,050 or about 56% were in the labor market in 2010. Only about 12% of those who worked in Chatham were residents. It should also be noted that 73% of workers drove alone to work, another 11% carpooled, and another 12% either worked at home or walked to work according to the 2010 American Community Survey estimates. The average commuting time was about 22 minutes, suggesting employment opportunities were typically located not too far away.

The 2010 Census Bureau's American Community Survey data also provided information on the concentration of Chatham workers by industry, indicating that 36.7% were involved in management, business, science, or arts occupations with the remainder were employed in the lower paying retail and service-oriented jobs that support the local economy including sales and office occupations (21.1%), service occupations (23.4%), production and transportation (6.8%), and construction and maintenance (12.0%). About two-thirds of Chatham's labor force involved salaried workers, another 12% were government workers, and 20% were self-employed.

Detailed labor and workforce data from the state on employment patterns in Chatham is presented in Table 3-10. This information shows an average employment of 3,389 as of June 2012, up from 3,260 at the end of 2011 and 3,176 in 2000, indicative of some limited job expansion. The data also confirms a mix of employment opportunities with a *concentration of lower paying retail and service sector jobs that brings the average weekly wage for those working in Chatham to a relatively low level of \$726, about 48% of Boston's average weekly wage at \$1,507*. As another point of comparison, the unemployment level as of June 2012 was 4.8% for Chatham and 6.5% for Boston, down from 7.9% and 8.0% for Chatham and Boston, respectively, as of the end of 2010.

**Table 3-10: Average Employment and Wages By Industry, 2010**

Industry	# Establishments	Total Wages	Average Employment	Average Weekly Wage
Construction	43	\$10,928,470	184	\$1,142
Manufacturing	16	\$1,668,071	70	\$458
Wholesale Trade	8	\$3,128,955	56	\$1,075
Retail Trade	78	\$10,688,935	383	\$537
Transportation/Ware-housing	9	\$1,131,928	30	\$726
Information	7	\$1,425,503	38	\$721
Finance/Insurance	11	\$3,586,034	71	\$971
Real estate/rental/leasing	15	\$1,700,268	61	\$536
Professional/technical services	33	\$7,086,070	106	\$1,286
Administrative/ waste services	40	\$4,595,868	150	\$589
Health care/social assistance	23	\$11,414,849	292	\$752
Arts/entertainment/recreation	16	\$5,593,657	171	\$629
Accommodation/food services	52	\$21,335,621	756	\$543
Other services	28	\$3,231,003	103	\$603
<b>Total</b>	<b>402</b>	<b>\$106,492,378</b>	<b>2,822</b>	<b>\$726</b>

Source: Massachusetts Executive Office of Labor and Workforce Development, June 2012

<sup>10</sup> Based the US Census Bureau's 2006-2010 estimates from the American Community Survey.

**3.1.8 Education – High educational attainment and declining student enrollment**

The educational attainment of Chatham residents has improved over the last couple of decades. In 2010, 95% of those 25 years and older had a high school diploma or higher, and 50% had a Bachelor’s degree or higher (compared with 39.1% for the county and 38.5% for the state), up from the 2000 figures of 93.3% with at least a high school degree and 42.7% with a college degree or higher.

Those enrolled in school (nursery through graduate school) in 2010 totaled 1,002 residents or 16.4% of the population, and those enrolled in kindergarten through high school totaled 812 students, representing 13.3% of the total population. These figures are up somewhat from 2000 enrollment levels of 777 students in kindergarten through high school, however because of the 500-person population loss between 2000 and 2010, this 777-student enrollment level represented only 11.7% of the population. The Chatham Public Schools reported a student enrollment of 635 students for the 2011-2012 school year, down from an enrollment of 726 in 2000-2001. This decline is reflective of an overall population loss during this time period and decreasing numbers of children in Chatham.

**3.1.9 Disability Status – Significant special needs**(Still no updated census figures on this have been released.)

Disability levels are high in Chatham, in fact higher than the state’s as shown in Table 3-11. Of the 2000 residents between age 5 and 20, 118 or 14.6% claimed a disability. Of those age 21 to 64, 835 residents, or 25.5% of the persons in the age range, indicated they were disabled. About 77% of this group was employed, leaving another 23% or 192 residents unemployed, likely related to their disability. In regard to the population 65 years of age or older, 550 seniors or 25.5% of those in this age group claimed some type of disability. These levels of disability represent significant special needs within the community and suggest that the Town make a concerted effort to produce special needs housing units that are handicapped accessible and have access to supportive services.

**Table 3-11: Population Five Years and Over with Disabilities for Chatham and the State, 2000**

Age	Chatham		Massachusetts	
	#	%	#	%
5 to 20 years	118	14.6	116,151	8.6
21 to 64 years	835	25.5	663,354	17.9
65 years and over	550	25.5	305,241	37.6
Total	1,503	22.7	1,084,746	18.5

Source: U.S. Census Bureau, 2000 Summary File 3

The Barnstable County HOME Consortium’s 2012 Annual Plan indicates that there is a shortage of housing available for people with disabilities. The Cape Organization for Rights of the Disabled (CORD) emphasizes the need for adequate, accessible and affordable living options for the disabled, especially affordable independent living options. CORD also suggests that discrimination and the need for unit modifications or adaptations are common problems for those with disabilities. CORD now serves about 1,400 persons annually throughout the Cape.

### 3.2 Housing Profile

This section of the Housing Needs Assessment summarizes housing characteristics and trends, analyzes the housing market from a number of different data sources and perspectives, compares what housing is available to what residents can afford, summarizes what units are defined as affordable by the state, and establishes the context for identifying priority housing needs.

#### *3.2.1 Housing Growth – Slower housing growth and high level of demolition/rebuild activity*

As indicated in Table 3-12, since 1960 the number of housing units has increased by 162%, from 2,800 to 7,343 units, while the population increased by only about half that amount or 87.1%. Moreover, despite a population loss of 500 persons between 2000 and 2010, there was a gain of 600 housing units during this same time period, indicative that new housing units were not typically being created for year-round residents.

**Table 3-12: Housing Growth, 1960-2010**

US Census	Total Housing Units	% Change
1960	2,800	--
1970	3,943	41%
1980	5,003	27%
1990	6,301	26%
2000	6,743	7%
2010	7,343	8.9%
Through June 2012	7,368	0.3%

Source: US Census Bureau, 1960 through 2010, and Town Records

*Overall housing growth has continued to slow down in Chatham since the boom years between 1960 and 1990. While growth rates were 41% between 1960 and 1970 and 27% and 26%, respectively, during the following two decades, the rate of growth slowed down to 7% between 1990 and 2000 and 8.9% between 2000 and 2010. Since 2010 the town has experienced a net gain of only 25 housing units through June 2012. Much of the new building activity has in fact been the result of demolishing previous homes and rebuilding new ones. Of particular concern is that such activity is eroding the community's very limited supply of smaller and relatively affordable housing.*

Of the total 54 properties that received building permits for new dwellings in 2010, 2011 and through June 2012, 23 involved the demolition of a previous structure on site. Some of the more recent demolition permits may be in preparation for rebuilding activity as well. All of the new units were single-family homes with the exception of the conversion of a second floor commercial space into two (2) apartments and the conversion of an office space to a single residence. Another house was relocated to make way for a new unit, and a dormitory was also converted to a single-family home.

*Types of Structures and Units – Predominance of owner-occupancy and single-family detached homes, more than half of which are seasonal units or second homes*

Table 3-13 includes a summary of housing characteristics from 1990 through 2010. Of the 7,343 total housing units in 2010, Chatham had 3,460 year-round units<sup>11</sup> of which 3,085 were occupied. Of the occupied units, 2,389 or 77.4% were owner-occupied and the remaining 696 units or 22.6% were renter-occupied. This level of owner-occupancy is comparable to Barnstable County as a whole, but higher than the state with a 62.3% owner-occupancy level. The proportion of year-round owner-occupied units to rentals in 2010 was similar to 1990 levels with a net gain of only six (6) rental units. There was a significant erosion of rental units between 1990 and 2000, likely the result of converting seasonal rental units to year-round owner-occupancy and perhaps the teardown of rental properties and replacement by owner-occupied ones, particularly second homes.

**Table 3-13: Housing Characteristics, 1980 to 2010**

Housing Characteristics	1990		2000		2010	
	#	%	#	%	#	%
Total # Housing Units	6,301	100.0	6,743	100.0	7,343	100.0
Occupied Units *	3,023	48.0	3,160	46.9	3,085	42.0
Occupied Owner Units **	2,333	77.2	2,528	80.0	2,389	77.4
Occupied Rental Units **	690	22.8	632	20.0	696	22.6
Total Vacant Units/ Seasonal, Rec. or Occasional Use*	3,278/ 2,748	52.0/ 43.6	3,553/ 3,147	52.7/ 46.7	4,258/ 3,883	58.0/ 52.9
Average Household Size/ Owner-occupied Unit	2.10 persons		2.03 persons		2.00 persons	
Average Household Size/ Renter-occupied Unit	2.01 persons		1.86 persons		1.80 persons	

Source: U.S. Census Bureau, Census 1990, 2000 and 2010 Summary File 1  
\* Percentage of all housing units \*\* Percentage of occupied housing units

As Table 3-14 indicates, and what is visually presented in Figure 3-3, there have been significant fluctuations in the relative growth of seasonal versus year-round units over the years with seasonal units outnumbering year-round ones in 1970 and again in 2010.

**Table 3-14: Seasonal Versus Year-round Housing Units, 1970 to 2010**

Year	Year-round Units		Seasonal Units		Total Units	
	#	%	#	%	#	%
1970	1,705	43	2,238	57	3,943	100.0
1980	2,666	53	2,337	47	5,003	100.0
1990	3,023	48	2,748	44	6,301	100.0
2000	3,596	53	3,147	47	6,743	100.0
2010	3,460	47	3,883	53	7,343	100.0

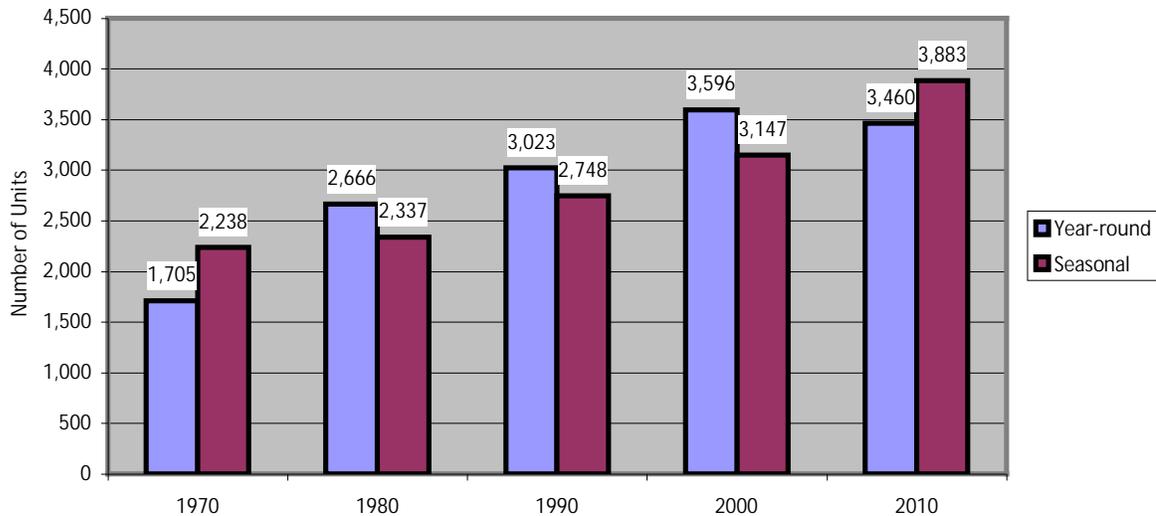
Source: US Census Bureau, 1970 through 2010

<sup>11</sup> The year-round figure is the one used under Chapter 40B for determining the 10% affordability goal and annual housing production goals. It is calculated by subtracting seasonal or occasional units from the total number of occupied units (3,085 – 3,883 = 3,460).

Seasonal units or second homes in fact currently outnumber the town's year-round population, and those who do not permanently reside in Chatham occupy the majority of units, 53%. While this population of occasional visitors has boosted the local economy, they have also driven up the cost of housing, creating substantial affordability gaps for many year-round residents, local workers, and those who were raised locally but cannot afford to return to raise their own families.

Figure 3-3

Year-round and Seasonal Housing Units, 1970 to 2010



Chatham's housing stock is dominated by single-family detached residences as indicated in Table 3-15. According to the 2010 American Community Survey from the U.S. Census Bureau, 6,506 or 91.5% of all units were single-family detached structures, an increase of 7.1% from 2000 and higher than the county's level of 81.9% and the state's at 52%. There was a decrease in single-family attached structures, two-family houses and units in five to nine-unit properties. Besides single-family detached homes, some housing growth occurred in three to four-family structures and some larger multi-family buildings. It appears that some households are also living in boats or RV's.

Table 3-15: Units by Type of Structure, 2000 and 2010

Type of Structure	2000		2010	
	#	%	#	%
1-unit, detached	6,076	90.4	6,506	91.5
1-unit, attached	117	1.7	9	0.1
2 units	176	2.6	88	1.2
3 or 4 units	135	2.0	210	3.0
5 to 9 units	176	2.6	165	2.3
10 to 19 units	11	0.2	18	0.3
20 or more units	29	0.4	106	1.5
Boat, RV or van	0	0.0	10	0.1
Total	6,720	100.0	7,112	100.0

Source: US Census 2000 and American Community Survey, 2006-2010

Table 3-16 provides a breakdown of the estimated 2010 distribution of units per structure according to whether the units were occupied by renters or homeowners. Almost all of the owners lived in single-family detached homes as did more than half of the renters. In comparison, state levels were 77.5% and 10.1%, respectively, for owners and tenants living in single-family detached units. Only 105 owners lived in multi-family properties, reflective of the relatively small number of condominiums in Chatham. One-quarter of the renters lived in multi-family properties of five to nine units.

**Table 3-16: Type of Structure by Tenure, 2010**

Type of Structure	Homeowner Units		Renter Units	
	#	%	#	%
1- unit detached	2,278	95.2	276	53.4
1- unit attached	9	0.4	0	0.0
2 units	0	0.0	40	7.7
3 to 4 units	31	1.3	34	6.6
5 to 9 units	35	1.5	130	25.1
10+ units	39	1.6	27	5.2
Other/boat, RV, van	0	0.0	10	1.9
Total	2,392	100.0	517	100.0

Source: U.S. Census Bureau, 2006-2010 American Community Survey

Table 3-17 provides information on the distribution of unit sizes, more specifically the number of rooms per unit. This data indicates that the median unit was moderately sized with almost six (6) rooms, or about three (3) bedrooms, somewhat higher than the county median of 5.6 rooms but down from a median of 6.0 rooms in 2000. In addition, those units most appropriate for single persons, with three (3) rooms or less, comprised less than 7.0% of the housing stock compared to more than double the level statewide. On the other end of the spectrum, there was a substantial supply of larger homes of seven (7) or more rooms, involving 2,231 units or 31.4% of the housing stock, however, representing a decrease in these larger homes from 2,548 or 36.6% in 2000. As indicated in Table 3-17, most of the newer units have been more modest in size with four (4) to six (6) rooms.

**Table 3-17: Number of Rooms Per Unit, 2000 and 2010**

Number of Rooms Per Unit	2000		2010	
	#	%	#	%
1 Room	26	0.4	29	0.4
2 Rooms	125	1.9	146	2.1
3 Rooms	342	5.1	289	4.1
4 Rooms	669	10.0	842	11.8
5 Rooms	1,267	18.9	1,690	23.8
6 Rooms	1,833	27.3	1,885	26.5
7 Rooms	1,227	18.3	1,041	14.6
8 Rooms	564	8.4	619	8.7
9 or More Rooms	667	9.9	571	8.0
Total	6,720	100.0	7,112	100.0
Median (Rooms)	6.0 Rooms		5.8 Rooms	

Source: U.S. Census Bureau, 2000 and the 2006-2010 American Community Survey

**3.2.3 Vacancy Rates – High rental vacancy rate**

As shown in Table 3-18, the vacancy rate was 5.4% for ownership in 2010, up from 2.1% in 2000, with quite high rental rates, above 15%, for both 2000 and 2010. These vacancy rates were higher than the county, state and national rates for both ownership and rental and is likely reflective of the turnover of seasonal properties. Some amount of this significant seasonal turnover involves the investment of purchasers in their 40's who rent the units in the summer, use them sporadically in the shoulder seasons, then rent the property less and less until they finally retire and move in permanently.

**Table 3-18: Vacancy Rates by Tenure, Chatham for 2000 and 2010 and 2010 levels for Barnstable County, Massachusetts and Nation**

Tenure	2000	2010	County 2010	MA 2010	Nation 2010
Rental	15.7%	15.4%	12.4%	6.5%	9.2%
Homeowner	2.1%	5.4%	2.6%	1.5%	2.4%

Source: US Census Bureau, 2000 and 2010

**3.2.4 Length of Residency – Less recent resident mobility**

Table 3-19 presents information on how long Chatham homeowners have remained in their homes. From 2000 to 2010, there has been less mobility of residents as more households remained in their units, growing to half of all households staying in their homes for five to 19 years, and more than 28% in the same place for 20 years or more. The reduction in shorter-term residency, decreasing from 33% of all households to 22% between 2000 and 2010, is likely explained by the financial crisis in the later part of the decade that had a profound affect on the housing market, slowing down market activity. Sellers were more likely to stay in place unless they could get what they wanted for their properties, and potential purchasers were less likely to buy based on concerns that the market had not yet bottomed out.

**Table 3-19: Length of Residency, 2000 and 2010**

Length of Residency	2000 %	2010 %
< 5 Years	33	22
5 - 19 years	44	50
20 Year +	23	28

Source: U.S. Census Bureau, 2000 and American Community Survey, 2006-2010

**3.2.5 Persons Per Unit – Reductions over the decades correlated to decreases in average household size**

Table 3-20 and Figure 3-4 demonstrate that the average number of people per occupied unit has decreased substantially over the past few decades, from 2.67 persons in 1970 to 1.98 by 2010. This trend is not surprising given the similar reduction in average household size at 1.95 persons by 2010, reflective of an increasingly older population and fewer children.

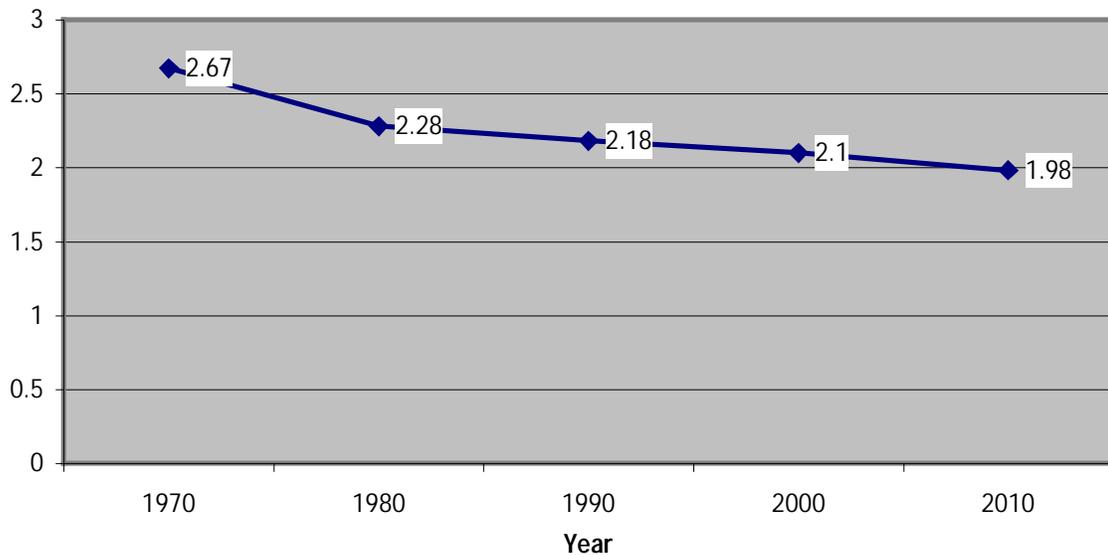
**Table 3-20: Persons per Occupied Housing Unit (PPOHU), 1970-2010**

Year	Population	Total Year-round Housing Units	PPOHU
1970	4,554	1,705	2.67
1980	6,071	2,666	2.28
1990	6,579	3,023	2.18
2000	6,625	3,160	2.10
2010	6,125	3,085	1.98

Source: U.S. Census Bureau, 1970, 1980, 1990, 2000, and 2010

**Figure 3-4**

**Persons Per Occupied Housing Unit**



**3.2.6 Housing Market Conditions – Housing costs remain very high**

The following analysis of the housing market looks at the values of homeownership and rental housing from a number of data sources including:

- The 1980, 1990, and 2000 Decennial U.S. Census figures*
- The U.S. Census Bureau's 2006-2010 American Community Survey*
- The Warren Group's median income statistics and sales volume by year, from 1990 through August 2012*
- Multiple Listing Service data*
- Town Assessor's data*
- Craigslist (rental housing)*

**Homeownership**

Census data also provides information on housing values, as summarized in Table 3-21 for homeownership units. The 2006-2010 American Community Survey estimates indicated that the 2010 median house value was \$612,900, up about 124% from the median in 2000 of \$273,900, and almost

triple the median of \$212,700 in 1990. As Table 3-21 indicates, there were 61 units valued at less than \$100,000 in 2010, comprising 2.5% of the housing stock and surprisingly representing an increase of 33 such units since 2000. It is likely that these units are very small and require substantial improvements. Only another 20 units were valued below \$200,000, demonstrating that very little of the town's housing units were affordable to those earning at or below 80% of area median income.

On the other end of the price range, 1,494 units, or 62.5% of the owner-occupied housing stock, were priced at \$500,000 or more, with more than 500 units valued above \$1 million. There is certainly a substantial luxury housing market in Chatham, most likely principally occupied by second home owners or retirees.

**Table 3-21: Values of Owner-Occupied Housing, 1990 to 2010**

Price Range	1990		2000		2010	
	#	%	#	%	#	%
Less than \$50,000	5	0.2	6	0.3	10	0.4
\$50,000 to \$99,999	49	2.3	22	1.0	51	2.1
\$100,000 to \$149,999	358	16.8	212	9.5	0	0.0
\$150,000 to \$199,999	551	25.9	404	18.1	20	0.8
\$200,000 to \$299,999	645	30.3	652	29.2	104	4.3
\$300,000 to \$499,999	350	16.4	601	26.9	713	29.8
\$500,000 to \$999,999	171	8.0	220	9.8	985	41.2
\$1 million or more			118	5.3	509	21.3
Total	2,129	100.0	2,235	100.0	2,392	100.0
Median (dollars)	\$212,700		\$273,900		\$612,900	

Source: U.S. Census Bureau, 1990 and 2000, and U.S. Census Bureau, 2006-2010 American Community Survey

Table 3-22 provides *Warren Group data* on median sales prices and number of sales from 1990 through August 2012, offering a long-range perspective on sales activity. This data is tracked from Multiple Listing Service information based on actual sales. The median sales price of a single-family home as of August 2012 was \$560,000, a significant decrease from \$639,000 as of the end of 2011. The lowest point in the market was in 1992, in another recessionary period, when the median was \$148,250. After that single-family home values climbed steadily and reached \$690,000 in 2006, the height of the housing market for Chatham and many communities in the state. The number of single-family home sales also increased significantly from 106 in 1990 to a high of 270 in 1999. Sales activity fluctuated considerably after that. The volume of sales has declined in recent years to only 151 in 2011.

The condo market has experienced more volatility, both in terms of values and number of sales. Median prices dropped from 1990 to 1991, from \$151,000 to \$118,500. The market revived somewhat by 2000 following another dip in 1998 to \$100,750, reaching a high of \$590,000 in 2006. Since then there have been continued fluctuations in values to a median of \$332,500 as of August 2012, from \$350,000 in 2011.

The condo market has typically been very soft throughout the Commonwealth over the past few years, as financing has become more difficult to obtain and prices in some communities have fallen to all-time lows. In addition to significant decreases in values, the number of sales fell from a high of 51 sales in 2000, to 12 in 2010, and up a bit to 18 as of August 2012.

**Table 3-22: Median Sales Prices and Number of Sales, 1990 – August 2012**

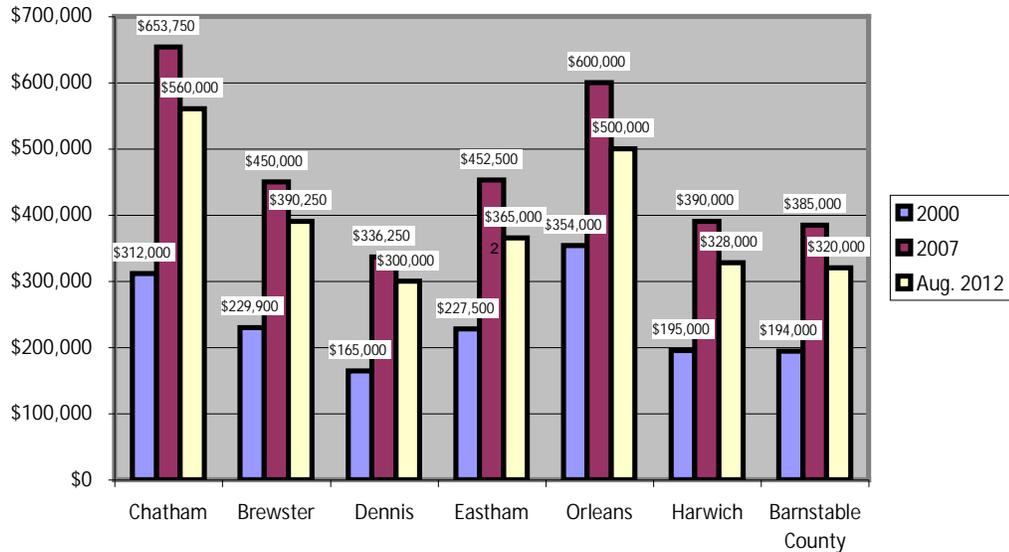
Year	Months	Single-family		Condominiums		All Sales	
		Median	# Sales	Median	# Sales	Median	# Sales
2012	Jan -- Aug	\$560,000	101	\$332,500	18	\$563,500	162
2011	Jan – Dec	639,000	151	350,000	14	573,750	222
2010	Jan – Dec	590,000	170	277,500	12	575,000	229
2009	Jan – Dec	515,000	149	500,000	23	503,750	198
2008	Jan – Dec	635,000	127	264,800	24	573,000	197
2007	Jan – Dec	653,750	172	515,100	24	623,750	252
2006	Jan – Dec	690,000	163	590,000	29	672,500	270
2005	Jan – Dec	657,500	190	475,000	29	601,000	294
2004	Jan – Dec	565,000	225	306,250	19	549,900	313
2003	Jan – Dec	492,500	191	250,250	20	435,000	291
2002	Jan – Dec	375,000	194	220,000	25	361,563	294
2001	Jan – Dec	342,500	192	190,000	21	305,000	289
2000	Jan – Dec	312,000	241	175,000	51	275,000	368
1999	Jan – Dec	242,500	270	130,000	41	216,545	412
1998	Jan – Dec	197,500	268	100,750	36	179,000	369
1997	Jan – Dec	181,000	227	128,000	35	174,250	312
1996	Jan – Dec	165,500	212	119,500	20	169,000	273
1995	Jan – Dec	179,500	195	124,000	32	163,000	275
1994	Jan – Dec	170,000	199	135,000	16	165,000	239
1993	Jan – Dec	180,000	155	126,000	17	168,500	213
1992	Jan – Dec	148,250	166	133,000	19	146,000	213
1991	Jan – Dec	174,500	140	118,500	19	165,000	180
1990	Jan – Dec	196,750	106	151,000	24	185,000	153

Source: The Warren Group/Banker & Tradesman, September 14, 2012

Housing prices are high in Chatham relative to neighboring communities as well as Barnstable County as shown in Figure 3-5, also comparing values for 2000, 2007 and August 2012. Median values for single-family homes are in fact highest in Chatham, with Orleans closely behind. Figure 3-5 also clearly demonstrates the trajectory of the housing market since 2000, with increasing home values through 2007, and a downward trend since then due to the financial crisis.

Figure 3-5

Median Single-family Home Prices



Another analysis of housing market data is presented in Table 3-23, which breaks down sales data from the *Multiple Listing Service* as compiled by Banker & Tradesman of The Warren Group for single-family homes and condominiums. This table provides a snapshot of the range of sales for January through August 2012. There were a total of 113 sales, 100 single-family homes and 13 condos. Units that sold below \$200,000, and were therefore relatively affordable to those earning at or below 80% of area income, included three (3) single-family homes and two (2) condominiums that were very small and likely in need of substantial improvement. The distribution of these sale prices suggests a fair amount of diversity in the mid to higher ranges of the housing market, from a handful of affordable units to a relatively even spread in the ranges of \$200,000 to \$700,000 and then a significant luxury market with almost one-quarter of the units selling for more than \$1 million. For the most part, purchasing a home in Chatham is clearly an expensive undertaking.

Table 3-23: Single-family House and Condo Sales, January Through August, 2012

Price Range	Single-family Homes		Condominiums		Total	
	#	%	#	%	#	%
Less than 200,000	3	3.0	2	15.4	5	4.4
\$200,000-299,999	10	10.0	3	23.1	13	11.5
\$300,000-399,999	12	12.0	4	30.8	16	14.2
\$400,000-499,999	15	15.0	0	0.0	15	13.3
\$500,000-599,999	13	13.0	2	15.4	15	13.3
\$600,000-699,999	10	10.0	1	7.7	11	9.7
\$700,000-799,999	4	4.0	1	7.7	5	4.4
\$800,000-899,999	4	4.0	0	0.0	4	3.5
\$900,000-999,999	4	4.0	0	0.0	4	3.5
Over \$1 million	25	25.0	0	0.0	25	22.1
Total	100	100.0	13	100.0	113	100.0

Source: Banker & Tradesman, September 14, 2012

*Assessor data* on the assessed values of residential properties in Chatham is presented in Table 3-24, which provides insights into the range of values for single-family homes and condominiums. This data shows that Chatham had 5,739 single-family homes compared to only 426 condos. A total of 43 single-family homes and 100 condos were valued at less than \$200,000 and potentially affordable to households earning at or below 80% of area median income. An additional 468 dwelling units were assessed between \$200,000 and \$300,000, still relatively affordable given Chatham's high property values. About half of all these units were priced between \$300,000 and \$600,000. Clearly there is a large high-end housing market in Chatham with 22.7% of all single-family homes valued at more than \$1 million. The median home price for single-family homes was \$534,700, somewhat lower than the median from The Warren Group of \$560,000 as of August 2012. The median for condos of \$337,900 was fairly comparable to The Warren Group figure of \$332,500 (see Table 3-22).

Assessor's data also indicated the following:

There were 137 mixed-use properties that included housing, only five (5) assessed below \$400,000 and one-quarter for more than \$1 million.

Of the 325 properties that included more than one house on the same parcel, 60.6% were valued at more than \$1 million.

There were 41 two-family homes and five (5) three-families, most valued between \$300,000 and \$600,000.

Values for eight (8) four to eight-unit properties ranged from \$476,600 to \$1,191,400.

Given current market conditions, condo conversions have likely slowed down. It has become, in fact, extremely challenging to secure financing for condos, as lenders are applying much more rigorous lending criteria.

**Table 3-24: Assessed Values of Single-family and Condominiums**

Assessment	Single-family Dwellings		Condominiums		Total	
	#	%	#	%	#	%
0-\$199,999	43	0.7	100	23.5	143	2.3
\$200,000-299,999	386	6.7	82	19.2	468	7.6
\$300,000-399,999	1,117	19.5	66	15.5	1,183	19.2
\$400,000-499,999	1,013	17.7	71	16.7	1,084	17.6
\$500,000-599,999	701	12.2	57	13.4	758	12.3
\$600,000-699,999	406	7.1	11	2.6	417	6.8
\$700,000-799,999	289	5.0	13	3.1	302	4.9
\$800,000-899,999	276	4.8	6	1.4	282	4.6
\$900,000-999,999	206	3.6	5	1.2	211	3.4
Over \$1 million	1,302	22.7	15	3.5	1,317	12.4
Total	5,739	100.0	426	100.0	6,165	100.0

Source: Chatham Assessor, fiscal year 2012.

**Rentals**

Table 3-25 presents information on rental costs from 1990 to 2010, based on the *U.S. Census Bureau*.

**Table 3-25: Rental Costs, 1990 to 2010**

Gross Rent	1990		2000		2010	
	#	%	#	%	#	%
Under \$200	59	8.7	0	0.0	0	0.0
\$200-299	33	4.9	21	3.3	29	5.6
\$300-499	230	33.9	65	10.1	24	4.6
\$500-749	233	34.3	264	41.2	40	7.7
\$750-999	37	5.4	111	17.3	143	27.7
\$1,000-1,499	4	0.6	87	13.6	150	29.0
\$1,500 +			0	0.0	39	7.5
No Cash Rent	83	12.2	93	14.5	92	17.8
Total*	679	100.0	641	100.0	517	100.0
Median Rent	\$479		\$671		\$971	

Sources: U.S. Census Bureau, Census 1990 and 2000 Summary File 3 and 2006-2010 American Community Survey

The rental market has changed substantially as the median rent more than doubled between 1990 and 2010, going from \$479 per month to \$971. Based on 2010 census estimates, about two-thirds of the town's rental units were renting for more than \$750, 7.5% above \$1,500. It is also important to note that the census counts included 139 subsidized units, which represented one-fifth of all rental units in Chatham.

Updated information from *Craigslist* on recent rental offerings in late August/early September 2012 for Chatham is summarized below with only a few year-round listings.<sup>12</sup>

*One-bedroom Units*

\$975 for an 800 square foot unit

\$1,000 for a 600 square foot unit with the listing saying "where else can you live in Chatham on short money?"

*Two-bedroom Units*

\$1,150 for a 1,200 square foot apartment

\$1,050, \$1,095 and \$1,200 for apartments in mixed-use buildings that were available only on a month-to-month basis because the property was undergoing conversion to condos

*Three-bedroom Units*

\$1,400 and \$1,700 for small single-family houses

One of the listings was revealed to be a scam as it included a photo of a single-family house on the market but was posted as a rental to get deposit money

*Four-bedroom Units*

\$1,700 for a small Victorian house

<sup>12</sup> All of the listings were for year-round residency with the exception of the two-bedroom units that were only available on a month-to-month basis due to a condo conversion.

Most of the apartments require first and last month's rent plus a security deposit equivalent to as much as a month's rent. For a \$1,200 apartment, that totals \$3,600 in up-front cash, an amount that many prospective tenants just do not have. Some listings include just a half-month's rent up-front, in addition to the first month's rent, as a "finders fee".

Summer rentals ranged considerably from about \$1,000 per week for tiny cottages to well over \$10,000 per week for larger houses with access to the water.

### 3.2.7 Affordability of Existing Housing

While it is useful to have a better understanding of past and current housing costs, it is also important to analyze the implications of these costs on affordability. Tables 3-26 and 3-27 look at affordability from two different vantage points. Table 3-26 calculates what households earning at various income levels can afford with respect to types of housing, and Table 3-27 examines some of the housing costs summarized above in Section 3.2.4, estimating what households must earn to afford these prices *based on spending no more than 30% of their income on housing expenses*, the commonly applied threshold of affordability.

**Table 3-26: Affordability Analysis I**  
**Maximum Affordable Prices Based on Income Levels**

Type of Property	Income Level	30% of Monthly Income	Estimated Max. Affordable Price 5% Down ***	Estimated Max. Affordable Price 20% Down ***
Single-family	Median Income = \$65,990*	\$1,649.75	\$282,000	\$345,000
	80% AMI = \$52,000**	\$1,300.00	\$232,000	\$271,500
Condominium	Median Income = \$65,990*	\$1,649.75	\$240,000	\$292,500
	80% AMI = \$52,000**	\$1,300.00	\$186,500	\$218,500
		30% of Monthly Income	Estimated Utility Cost	Affordable Monthly Rental
Rental	Median Income = \$65,990*	\$1,649.75	\$135	\$1,515.75
	80% AMI = \$52,000**	\$1,300.00	\$135	\$1,165.00
	50% AMI = \$34,500**	\$862.50	\$135	\$727.50
	30% AMI = \$20,700**	\$517.50	\$135	\$382.50

Source: Calculations provided by Karen Sunnarborg.

\* Based on the U.S. Census Bureau's American Community Survey estimate for 2006-2010.

\*\* HUD 2012 Income Limits for Barnstable County for a household of two (2), which is about the average household size in Chatham (1.95 persons). Figures do not include underwriting for PMI in calculations with a 20% down payment and assume that purchasers earning at or below 80% of AMI would qualify for the Soft Second Loan Program or other subsidized mortgage program that would not require PMI.

\*\*\* Figures based on interest rate of 5.0%, 30-year term, annual property tax rate of \$4.45 per thousand, insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), and private mortgage insurance (PMI) estimated at 0.3125% of loan amount for 95% financing, estimated monthly condo fees of \$250.

In addition to showing how different types of housing are more or less affordable to households earning at median income and at 80% of area median income, Table 3-26 also indicates that the amount of down payment has a substantial bearing on what households can afford. Only a few years ago it had

been fairly easy for purchasers to limit their down payments to 5% or even less as long as they paid private mortgage insurance or qualified for a subsidized mortgage program such as the state's Soft Second Loan Program or MassHousing mortgage programs. Given the relatively recent financial crisis, lenders are typically applying more rigid lending criteria, including the need for down payments as high as 20% of the purchase price. Such high cash requirements make homeownership, particularly first-time homeownership, much more challenging. As Table 3-26 demonstrates, a household earning the same level of income can acquire a much higher priced home with more cash down as they are borrowing less.

Table 3-26 also shows that because condo fees are calculated as housing expenses in mortgage underwriting criteria, they are more expensive. Therefore, a household earning at 80% of area median income, for example, can afford a single-family home of \$232,000 with a 5% down payment, but a condo for only \$186,500, assuming a condo fee of \$250 per month.

Table 3-26 also looks at what renters can afford at three (3) different income levels. For example, a two-person household earning at 50% of area median income and earning \$34,500 annually could afford an estimated monthly rental of about \$727.50, assuming they are paying no more than 30% of their income on housing and pay utility bills that average \$135 per month. A rental this low is virtually impossible to find in Chatham unless it is subsidized. The lowest rental advertised in late August/early September 2011 in Craigslist was \$975 that most likely required first and last month's rent and a security deposit. This means that any household looking to rent in the private housing market must have a considerable amount of cash available, which has a significant impact on affordability.

**Table 3-27: Affordability Analysis II  
Income Required to Afford Median Prices or Minimum Market Rents**

Type of Property	Median Price*	Estimated Mortgage		Income Required **	
		5% Down	20% Down	5% Down	20% Down
Single-family	\$560,000/8-2012	\$532,000	\$448,000	\$130,000	\$105,000
Condominium	\$332,500/8-2012	\$315,875	\$266,000	\$87,600	\$73,600
	<b>Estimated Market Monthly Rental ***</b>	<b>Estimated Monthly Utility Costs</b>	<b>Income Required</b>		
<b>Rental</b>					
One-bedroom	\$975	\$100		\$43,000	
Two-bedroom	\$1,150	\$135		\$51,400	
Three-bedroom	\$1,400	\$165		\$62,600	

Source: Calculations provided by Karen Sunnarborg.

\* From The Warren Group Town Stats data, September 14, 2012 for single-family and condos.

\*\* Figures based on interest of 5.0%, 30-year term, annual property tax rate of \$4.45 per thousand, insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), and private mortgage insurance estimated at 0.3125% of loan amount, estimated monthly condo fees of \$250. Figures do not include underwriting for PMI in calculations with a 20% down payment and assume that purchasers earning at or below 80% of AMI would qualify for the Soft Second Loan Program or other subsidized mortgage program that would not require PMI.

\*\*\* Lowest prices seen in late August/early September 2012 listings for Chatham in Craigslist.

Table 3-27 looks at affordability from another angle, going from specific housing costs to income instead of the other way around as was the case in Table 3-26. Taking median price levels for single-family homes and condos, the incomes that would be required to afford these prices are calculated, also showing the differences between 95% and 80% financing. For example, using the median single-family home price as of August 2012 of \$560,000 (down considerably from prior years), a household would have to earn approximately \$130,000 if they were able to access 95% financing. If they could afford the 20% down payment, an income of about \$105,000 would be required. The median condo price was \$332,500 as of August 2012, requiring an income of about \$87,600 with 5% down and \$73,600 with the 20% down payment.

In regard to rentals, using the lowest prices advertised in late August/early September 2011 on Craigslist, a one-bedroom unit renting for \$975 would require an income of \$43,000, assuming \$100 per month in utility bills and housing expenses of no more than 30% of the household's income. Even so, someone earning minimum wage of \$8.00 for 40 hours per week every week during the year would still only earn a gross income of only \$16,640. Households with two persons earning the minimum wage would still fall short of the \$43,000 income needed to afford this minimum advertised rent. While there are likely to be rentals that fall below this level, particularly subsidized rents, market rents tend to be beyond the reach of lower wage earners as the lowest rents listed were affordable to those earning at approximately 80% of area median income limit.

Through the combination of information in Tables 3-26 and 3-27, it is possible to compute the affordability gap, typically defined as the difference between what a median income household can afford and the median priced unit on the market. The affordability gap would then be \$217,000 as of August 2012 for single-family homes, the difference between \$343,000, based on what a median income household could afford (for an average household of two and 80% financing) and the median house price of \$560,000. The upfront cash requirements for the down payment and closing costs in effect substantially add about another \$115,000 to this affordability gap in the case of 80% financing. The gap widens to \$278,000 plus some upfront cash requirements for 95% financing.

When looking at the affordability gap for those earning at 80% of area median income, the gap increases considerably to \$328,000, the difference between the median priced single-family home and what a two-person household earning at this income level can afford, or \$232,000, based on 95% financing.

In regards to condos, the affordability gap is \$40,000, the difference between the median priced condo of \$332,500 and what a median income household can afford or \$292,500 with 80% financing. For those earning at 80% AMI, the gap is \$146,000 (with 95% financing assuming they would qualify for a subsidized mortgage). Once again the high costs associated with obtaining mortgage financing and the up-front cash requirements involved in renting effectively widen the affordability gap for owners and renters.

**Table 3-28: Affordability Analysis III  
Relative Affordability of Single-family and Condo Units, 2012**

Price Range Single- family/Condo*	Income Range	Single-family Homes Available in Price Range		Condominiums Available in Price Range	
		Number	%	Number	%
Less than \$232,000/ Less than \$186,500	Less than 80% AMI	72	1.3	69	16.2
\$232,001-\$345,000/ \$186,501-\$292,500	80% - 100%	809	14.1	101	23.7
\$345,001-\$435,000/ \$292,501-\$381,500	100% - 120%**	1,078	18.8	66	15.5
More than \$435,000 more than \$381,500	More than 120%**	3,924	68.4	190	44.6
<b>Total</b>		<b>5,739</b>	<b>100.0</b>	<b>426</b>	<b>100.0</b>

Source: Chatham Assessor's Database for fiscal year 2012. Please note that as a standard practice, assessed value is assumed to be 93% of actual value or potential sale price. Figures based on a two-person household.

\* Includes estimated condo fee of \$250 per month and figures are based on 80% financing with the exception of the less than 80% AMI category where households could possibly qualify for subsidized mortgage programs where 95%/97% financing is available.

\*\* The 120% AMI figure based on doubling the 60% AMI HUD figure of \$41,400 for a household of two (2) or \$82,800.

Table 3-28 identifies how many single-family homes and condos exist in Chatham that were affordable within various income categories. There were an estimated 72 single-family homes and 69 condos affordable to those earning at or below 80% of the area median income (AMI), and about 809 single-family units and 101 of condominiums affordable to those earning just above this level, from 80% to 100% AMI. This represents some limited affordability in the housing stock based on a number of assumptions, including 80% financing. Once again, the ability to obtain financing, including issues related to credit history and cash requirements, can provide substantial barriers to accessing housing. It is also important to note that this analysis is based on assessed values of all properties in Chatham, not what is available on the market (see Table 3-23 for market activity and prices from January through August 2012).

Table 3-29 demonstrates a substantial need for more affordable homeownership opportunities in Chatham for those earning at or below 80% AMI. These calculations suggest that of the 704 owner households who were estimated to have earned at or below 80% AMI, there were only 72 single-family homes and 69 condos that would have been affordable to them based on fiscal year 2012 assessed values and a household spending no more than 30% of its income on housing. This data suggests that many owners are spending too much on housing costs. This data also indicates that there is an adequate supply of homes for those earning between 80% and 100% of area median income, however, it is not clear that all of the existing homes are in standard condition.

**Table 3-29: Homeownership Need/Demand Analysis, 2012**

Income Group	Income Range*	Affordable Sales Prices Single-family/Condos**	#Owner Households **	#Existing Units Single-family/Condos	Deficit - or Surplus + for Single-family and Condos
Less than 80% AMI	\$52,000 and less	Up to \$232,000/\$186,500	704	72/69	-563
80% - 100% AMI	\$52,001 to \$65,990	\$232,001-\$345,000/ \$186,501-\$292,500	256	809/101	+654

Sources: U.S. Census Bureau's 2006-2010 American Community Survey, 2010 estimates. Chatham Assessor's data for fiscal year 2012.

\* For a household of two (2) as the average household size for owners was 2.0 persons per the 2010 U.S. census and based on 2012 HUD income limits for the Barnstable County area.

\*\* See Table 3-30.

*In addition to an analysis of affordability based on spending no more than 30% of a household's income on housing expenses and how this relates to the existing housing stock and financing terms, it is also useful to identify numbers of residents living beyond their means based on their existing housing costs.* The census provides data on how much households spent on housing whether for ownership or rental. Such information is helpful in assessing how many households are encountering housing affordability problems, defined as spending more than 30% of their income on housing.

Based on 2010 estimates from the Census Bureau's American Community Survey, there were 66 households, or 5.0% of the homeowners in Chatham who had a mortgage, spending between 30% and 34% of their income on housing and another 490 owners, or 36.8%, spending more than 35% of their income on housing expenses. Even some without a mortgage were overspending on their housing including 28 spending between 30% and 34% and another 91 spending more than 35% of their income on housing expenses. Thus 675, or more than 28% of all owners, were overspending on housing based on these estimates.

In regard to renters, 37 renters or 8.7% were spending between 30% and 34% of their income on housing and another 92 or 21.6% were allocating 35% or more of their income for housing, for a total of 129 renters who were overspending or about 30% of all renters. This data suggests that altogether *804 households or more than one-quarter of all Chatham households were living in housing that is by common definition beyond their means and unaffordable.*

HUD also prepares a report that summarizes cost burdens by tenure and income level. The results, based on 2005-2009 American Community Survey data (not yet available for 2006-2010), are summarized in Table 3-30 and include:

- *This data suggests that there were 943 households or more than 30% of all households who were earning at or below 80% MFI and might be eligible for housing assistance based on income alone.*
- *This data also estimates that 884 households (200 renters and 684 owners) were spending too much on their housing.*
- Of the 943 total households earning at or below 80% of median family income (MFI), 235 were spending more than 30% of their income on housing and 329 or more than one-third were

- spending more than half of their income on housing. An additional 320 households, earning more than 80% MFI, were spending too much on their housing as well.
- Of the 239 renter households earning at or below 80% MFI, 165 were spending between 30% and 50% of their income on housing including 65 who were spending more than half of their income on housing expenses.
  - Of the 704 owner households earning within 80% MFI, 399 were spending too much and 264 were spending more than half of their earnings on the costs of housing.
  - Of the 194 households earning at or below 30% MFI, 38% were spending more than half of their income on housing.
  - According to this data, most seniors were not experiencing severe cost burdens with the exception of 135 owners, 100 who were earning between 30% and 80% MFI and 35 earning above 80% MFI.
  - Small families and “other” families (meaning non-family and non-elderly families such as single persons living alone) were encountering the greatest cost burdens as both renters and owners in proportion to their numbers.
  - All owners with large families and earning below 50% MFI were experiencing severe cost burdens.

**Table 3-30: Cost Burdens by Tenure and Income Level, 2009**

Type and Tenure of Household	Households Earning < 30% MFI/# with cost burdens**	Households Earning > 30% to < 50% MFI/# with cost burdens**	Households Earning > 50% to < 80% MFI/# with cost burdens**	Housing Earning > 80% MFI/# with cost burdens**	Total/ Total with cost burdens**
Elderly Renters	10/10-0	25/0-0	0/0-0	170/10-0	205/20-0
Small Family Renters	0/0-0	25/0-25	30/25-0	115/25-0	170/50-25
Large Family Renters	0/0-0	0/0-0	4/0-0	0/0-0	4/0-0
Other Renters	30/10-20	20/10-10	95/45-10	100/0-0	245/65-40
<b>Total Renters</b>	<b>40/20-20</b>	<b>70/10-35</b>	<b>129/70-10</b>	<b>385/35-0</b>	<b>630/135-65</b>
Elderly Owners	80/0-0	115/65-60	255/50-40	930/75-35	1,380/190-135
Small Family Owners	4/0-4	20/0-20	50/10-10	595/135-10	669/145-44
Large Family Owners	20/0-20	10/0-10	0/0-0	30/10-0	60/10-30
Other Owners	50/0-30	20/10-10	80/0-60	135/10-10	285/20-110
<b>Total Owners</b>	<b>154/0-54</b>	<b>165/75-100</b>	<b>385/60-110</b>	<b>1,690/230-55</b>	<b>2,394/365-319</b>
<b>Total</b>	<b>194/20-74</b>	<b>235/85-135</b>	<b>514/130-120</b>	<b>2,075/265-55</b>	<b>3,024/500-384</b>

Source: U. S. Department of Housing and Urban Development (HUD), SOCDs CHAS Data, American Community Survey, 2009. \*\* First number is total number of households in each category/second is the number of households paying between 30% and 50% of their income on housing (with cost burdens) – **and third number includes those who are paying more than half of their income on housing expenses (with severe cost burdens)**. Small families have four (4) or fewer family members while larger families include five (5) or more members. The “other” category, for both renters and owners, includes non-elderly and non-family households.

Moreover, given the recent financial crisis with accompanying problems associated with high cost mortgages from predatory lenders and unemployment, some homeowners in Chatham have lost their homes or are confronting possible foreclosure. Recent information on the *level of foreclosures* indicates that from January through September 11, 2012, there were nine (9) foreclosure petitions filed and foreclosure auctions held on another four (4) homes. Chatham’s level of foreclosure auctions is among the lowest on the Cape, tied with Eastham and Orleans, and higher than the three (3) in Provincetown.

On the other end of the range, Falmouth had 49, Hyannis had 34 and Sandwich had 33. Even neighboring Dennis and Harwich had 28 and 19 auctions, respectively. There were 197 foreclosure actions in Barnstable County from June through August 2012.

### ***3.2.8 Subsidized Housing Inventory (SHI)***

Federal and state programs offer a number of different definitions of affordable housing. For example, the U.S. Department of Housing and Urban Development (HUD) generally identifies units as affordable if gross rent (including costs of utilities borne by the tenant) is no more than 30% of a household's income or if the carrying costs of purchasing a home (mortgage, homeowners association fees, property taxes and insurance) is not more than typically 30% of income. If households are paying more than these amounts, they are described as experiencing housing affordability problems; and if they are paying 50% or more for housing, they have severe housing affordability problems and severe cost burdens.

Housing subsidy programs are typically targeted to particular income ranges depending upon programmatic goals. Extremely low-income housing is directed to households with incomes at or below 30% of area median income as defined by the U.S. Department of Housing and Urban Development (\$23,300 for a family of three for the area) and very low-income is defined as households with incomes between 30% and 50% of area median income (\$38,800 for a family of three). Low- and moderate-income generally refers to the range between 50% and 80% of area median income (\$58,500 for a family of three at the 80% level). These income levels are summarized in Table 3-31.

**Table 3-31: 2012 Income Levels for Affordable Housing in Barnstable County**

<b># in Household</b>	<b>30% of Median Income</b>	<b>50% of Median Income</b>	<b>80% of Median Income</b>
<b>1</b>	\$18,100	\$30,200	\$45,500
<b>2</b>	20,700	34,500	52,000
<b>3</b>	23,300	38,800	58,500
<b>4</b>	25,850	43,100	65,000
<b>5</b>	27,950	46,550	70,200
<b>6</b>	30,000	50,000	75,400
<b>7</b>	32,100	53,450	80,600
<b>8+</b>	34,150	56,900	85,800

A common definition of affordable housing relates to the Chapter 40B comprehensive permit program. The state established legislation for promoting affordable housing under the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B).<sup>13</sup> This legislation allows developers to override local zoning if the project meets certain requirements, the municipality has less than 10% of its year-round housing stock defined as affordable in its Subsidized Housing Inventory (SHI), or housing production goals are not met. Specifically, all SHI units must meet the following criteria:

<sup>13</sup> Chapter 774 of the Acts of 1969 established the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B) to facilitate the development of affordable housing for low- and moderate-income households (defined as any housing subsidized by the federal or state government under any program to assist in the construction of low- or moderate-income housing for those earning less than 80% of median income) by permitting the state to override local zoning and other restrictions in communities where less than 10% of the year-round housing is subsidized for low- and moderate-income households.

1. Subsidized by an eligible state or federal program.
2. Subject to a long-term deed restriction limiting occupancy to income eligible households for a specified period of time (at least 30 years or longer for newly created affordable units, and at least 15 years for rehabilitated units).
3. Subject to an Affirmative Fair Housing Marketing Plan.

Most state-supported housing assistance programs are targeted to households earning at this same level, at or below 80% of area median income, however, others, particularly rental programs, are directed to those earning at lower income thresholds. For example, the Low Income Housing Tax Credit Program subsidizes rental units targeted to households earning up to 60% of median income. First-time homebuyer programs typically apply income limits of up to 80% of area median income. It is worth noting that according to 2009 census estimates, approximately 30% of Chatham’s households would have likely been income-eligible for affordable housing using the 80% of area median income criterion without consideration of financial assets.

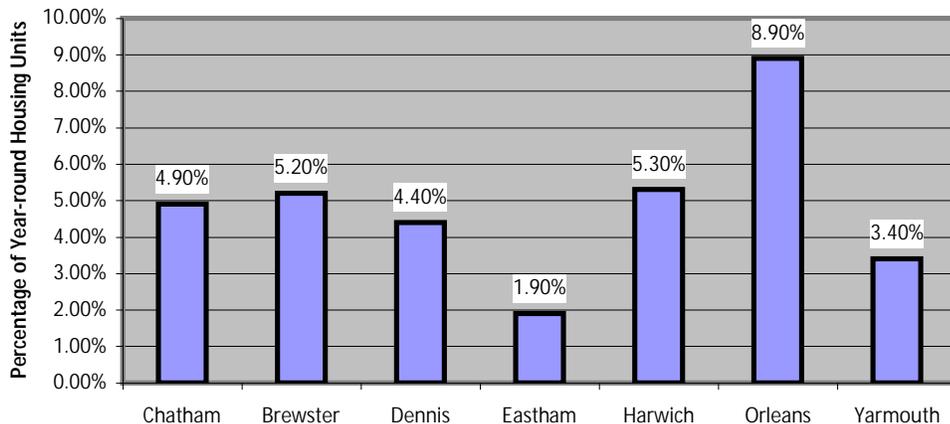
The Community Preservation Act (CPA) allows Community Preservation funding to be directed to those within a somewhat higher income range – 100% of area median income – now commonly referred to as “community housing”. Additionally, some housing developments incorporate several income tiers. It should be noted, however, that those units that involve occupants with incomes higher than 80% of area median income, while still serving local housing needs, will not count as part of the Subsidized Housing Inventory unless they are part of a Chapter 40B rental development where 100% of the units would qualify for inclusion in the SHI.

***Current Inventory***

The state listed 168 affordable housing units in Chatham’s state-approved Subsidized Housing Inventory (SHI), representing 4.86% of the total year-round housing stock of 3,460 units. Therefore, the town has not yet passed the Chapter 40B 10% affordability threshold. This means that Chatham is not exempt from comprehensive permit projects that enable developers to override local zoning in exchange for meeting state guidelines in building affordable housing.

**Figure 3-6**

**SHI Units for Chatham and Neighboring Communities**



Many communities in the state have been confronting challenges in boosting their relatively limited supply of affordable housing. The affordable housing levels for Chatham and neighboring communities are visually presented in Figure 3-6. Affordable housing production varies substantially among these communities with none past the 10% state affordability threshold, but with Orleans getting closer at 8.9% and only 1.9% in Eastham.

**Table 3-32: Chatham’s Subsidized Housing Inventory (SHI)**

Project Name	# SHI Units	Project Type/ Subsidizing Agency	Use of a Comp Permit	Affordability Expiration Date
The Anchorage*	40	Rental-seniors and disabled/DHCD	No	Perpetuity
Capt. Bearse Congregate House*	19	Rental – seniors with services/ DHCD	No	Perpetuity
Family On Site Housing*	10	Rental – families/DHCD	No	Perpetuity
Fellowship Health Resources Group Home*	6	Rental –special needs/DHCD	No	Perpetuity
Group Home*	8	Rental – special needs/DHCD	No	Perpetuity
Group Home	2	Rental – special needs/DHCD	No	Perpetuity
DDS Group Home	3	Rental – special needs/DDS	No	NA
Chatham Housing Opportunity Program/CHOP*	21	Ownership/DHCD	Yes	Perpetuity
Lake Street Affordable Housing*	50	Mix of 47 rentals and 3 ownership units/DHCD, FHLBB and Town of Chatham	Yes	Perpetuity
Housing Rehab Program	5	Ownership – rehab/DHCD	No	9/17 – 11/19
MCI Housing Savings Program*	4	Rental/DHCD	No	2026
<b>TOTAL</b>	168	139 rentals, 24 ownership, and 5 rehab	71 40B units	

Source: Massachusetts Department of Housing and Community Development, July 24, 2012

\* Chatham Housing Authority units or involvement

Table 3-32 summarizes the units included in the Subsidized Housing Inventory (SHI), the list of affordable dwelling units that the state recognizes as eligible for counting towards Chatham’s 10% state affordability goal or annual housing production goals. The vast majority of the 168 SHI units are rentals (139 units or 82.7%), which includes special needs housing in group settings.

A “friendly 40B” project through the state’s Local Initiative Program (LIP), *Levi’s Path*, should be added to the SHI as the comprehensive permit was approved on June 7, 2012 for eight (8) homeownership units, including two (2) affordable units. The project is located on a 2.72-acre site on Main Street. The market prices range from \$450,000 to \$500,000 while the two-bedroom, affordable homes are priced at \$150,000.

Expiring affordability restrictions will eliminate the five (5) units that were rehabilitated through the Homeownership Rehab Program, with CDBG funding administered through the Lower Cape Cod Community Development Corporation (renamed the Community Development Partnership), that had shorter-term affordability restrictions. This funding is no longer available however.

Table 3-33 provides a breakdown of CHA units by the size of elderly or family housing (number of bedrooms). It also indicates the numbers of applicants on the wait list who are Chatham residents and those who currently reside outside of town. Clearly local applicants have shorter wait times, however they still remain long, ranging from two (2) to five (5) years.

**Table 3-33: Chatham Housing Authority Housing Unit Wait Lists**

<b>Project</b>	<b>Units</b>	<b>Bedrooms</b>	<b>Wait List Local/Local Applicants</b>	<b>Wait Times Local/Local Applicants*</b>
The Anchorage	40	All 1-bedroom	129/8	2 to 5 years
Capt. Bearse House	19 with services	Studios and two, 2-bdrm units for couples/2 handicap accessible units	No waitlist	NA
Family On Site Housing	10	2 2-bedroom 8 3-bedroom/ 2 handicap accessible units	80/2	2 to 5 years, longer for the handicapped accessible units
Total	69		209/10	

Source: Chatham Housing Authority, as of September 19, 2012.

\* Applicants are served by date of application; however, as allowed by both state and federal policies, local applicants go ahead of non-local applicants on the waitlist.

In addition to owning and managing the Anchorage, for seniors and younger disabled individuals, and the family units at their Family On Site Housing development, CHA is responsible for the following:

- *Captain Bearse House*  
This project provides a congregate living setting for seniors. Each of the studio units has a half bath but showers are shared on each floor. CHA has vacancies but no waitlist and is typically looking for tenants to fill all of the units. While there are two, two-bedroom units for couples, typically the Housing Authority has to fill these with single individuals. Cape Cod Elder Services evaluates each of the tenants and determines the level of care that is required by number of hours of services. These hours are pooled for all tenants and support an on-site service provider.
- *Property Improvements*  
CHA applied and received state capital improvement funding from DHCD for its Anchorage and Family On Site Housing developments and is coordinating the improvements over the three-year term of the funding.
- *Group Homes*  
CHA also manages two group homes, one that is leased by Fellowship Housing Resources for the Department of Mental Health (DMH) clients and the other for clients of the Department of Developmental Disabilities (DDS).
- *Rental Assistance Subsidies*  
CHA manages five (5) Section 8 Housing Choice Vouchers and four (4) MRVP vouchers with three (3) of the voucher holders living in Chatham. As local Section 8 Housing Choice applicants may

live or work in Chatham, the vouchers are not limited to rentals in the community. These rental subsidies are provided to qualifying households renting units in the private housing market, filling the gap between an established market rent – the Fair Market Rent (FMR) – and a portion of the household's income. Preference is granted to applicants who reside or are employed in Chatham. Applicants must also have incomes within 50% of area median income, \$38,800 for a family of three (3) based on HUD 2012 income limits. There is a considerable wait for these housing vouchers, yet despite approval from the state to go up to 110% of the Fair Market Rents, those who are issued rental subsidies have a difficult time locating units in Chatham given the relative scarcity of year-round units and high rents.

- *Chatham Homebuyer Assistance Program (CHAP)*  
Chatham has committed \$390,000 in Community Preservation funding to fill the gap between the market price of a home and an affordable one for first-time homebuyers. Up to \$60,000 per household has been available in subsidy and five (5) purchasers have been assisted to date. Purchasers are also required to attend first-time homebuyer workshops and encouraged to explore more affordable mortgage financing, such as loans through the state's Soft Second Loan Program.

This program requires communities to affirmatively advertise the availability of assistance and prepare a Ready Buyers List that includes those qualifying applicants that have submitted income and asset documentation as well as a letter of interest from a lending institution per the requirements of the Local Initiative Program (LIP). Once an applicant from this list is successful in selecting a unit to purchase, additional documentation is required such as a home inspection, appraisal, signed Purchase and Sale Agreement and mortgage commitment. Participants must also enter into deed restrictions.

Because housing prices have been so high, the maximum subsidy of \$60,000 has been insufficient and some of the funding has been used to support CHOP, described below, when state funding became no longer available.

- *Chatham Housing Opportunity Program (CHOP)*  
The Housing Authority has been the resale agency for this program that works to extend long-term affordability to homes where deed restrictions would bring purchase prices beyond the means of those earning at or below 80% AMI. Until the state adopted a standard deed rider for the sale of affordable homes, such affordability restrictions typically included resale price formulas indexed to housing market prices. As housing prices soared, so did the calculated resale prices. CHA has saved 21 such affordable homes through CHOP to date, involving an investment of \$110,000 in CPA funding in addition to state subsidies.
- *Chatham Voucher Program*  
The Chatham Housing Authority has developed a Town Voucher Program that offers qualifying households a subsidy for a period of five (5) years that consists of two (2) parts – a shallow rent subsidy of not more than \$350 per month and an automatic contribution to a monthly escrow account, deducted from the rent subsidy, to help them save for homeownership. The Housing Authority calculates the voucher amount based on a participant's income, expenses and rent level. The subsidy is paid directly to the landlord, and the participant is responsible for promptly paying the balance of the rent amount. The Chatham Housing Authority determines the amount

put in escrow monthly for each eligible participant, which is comparable to an Individual Development Account (IDA), used for the purpose of a down payment should the participant wish to pursue homeownership.

Program participants must meet a number of eligibility criteria including:

- Must live and/or work in Chatham, be a graduate of Chatham High School, or have close family ties with those currently living in Chatham.
- Be current on their rental payments and be a tenant in good standing with their current landlord.
- A household member must remain employed full-time over the course of the five-year term of the Program.
- Must meet the income guidelines established by the Barnstable HOME Consortium.
- Cannot be receiving other housing subsidies.
- Cannot have a tax lien or evidence of bankruptcy on their credit report.
- Cannot have owned any property within the last five (5) years.

Participants are required to sign a five-year participation agreement that states their obligations under the Program versus the Housing Authority's and also enter into a Limited Funding Agreement, which further explains the Program, particularly as to how it relates to the CPA funding. All participants must also attend local first-time homebuyers seminars and budgeting classes. Participants are also expected to identify a local financial adviser to provide additional assistance in helping them move to self-sufficiency, who also will provide regular progress reports to the Housing Authority.

The Program is funded with \$701,940 of CPA funds, including \$12,500 per year in administrative costs. In 2012 alone, Town Meeting approved \$239,720 in CPA funding. Participants must "graduate" after three (3) years, either purchasing their own home or maintaining self-sufficiency in their current rental unit or another apartment. The Program has served 53 households to date, of which 40 are currently being served.

- *MCI Rent/Escrow Program*

The Chatham Housing Authority has rehabilitated four (4) existing houses on property included in the National Register of Historic Places that was formerly owned by MCI Communications, the site of the first Marconi Radio Station where wireless communication began. The property was conveyed to the Town of Chatham, which currently leases it to the Chatham Housing Authority (CHA) for one dollar. The first two houses on the site were renovated with \$160,000 from the Town's budget and the other two houses from \$160,000 in Community Preservation funding towards two use categories – community housing and historic preservation.

After the necessary improvements were made to these houses, the CHA leased them to qualifying tenants through a lottery process. While half of the rents go to special escrow accounts for each of the tenants to use to purchase their own homes after the five-year program term, the other half is used by the Housing Authority for ongoing maintenance and management of these old houses.

- *Lake Street Affordable Housing*  
Chatham provided CPA funds (\$17,000 in predevelopment funding and \$300,000 in gap financing) to help leverage state funding to increase the affordability of a “friendly” Chapter 40B project on an approximately seven-acre parcel on Lake Street. The parcel included about 5.4 acres owned by the Chatham Housing Authority, next to an existing affordable homeownership development (Chatham Homeownership Opportunities), and a one plus acre lot owned and donated by the Town to the project. The development includes 47 rental units developed by The Community Builders (TCB), and another three (3) new homes built by Habitat for Humanity of Cape Cod. All of the units are affordable and are included in the Subsidized Housing Inventory. The TCB rental development includes three (3) units for those earning at or below 80% of area median income, and the remaining units were targeted to several income tiers below, including those earning at 30%, 50% and 60% of area median income. TCB manages the property and CHA is responsible for any resales of the Habitat houses, the first that was resold in 2011.

The current wait list for the rental units at Lake Street includes 12 applicants for the one-bedroom units, 12 for the two-bedroom units, and 7 for the three-bedroom units. All of the applicants are local residents.

It should be noted that the Chatham Housing Authority is under a Management Agreement with the Harwich Housing Authority, and was awarded the 2007 Outstanding Agency Award for their innovative first-time homebuyer initiatives from the Massachusetts Chapter of NAHRO (National Association of Housing and Redevelopment Officials).

Other Important affordable housing initiatives that have been initiated by the Town include the following:

- *Balfour Lane*  
The Lower Cape Cod CDC (renamed the Community Development Partnership) and the Friends of Chatham Affordable Housing (FoCAH) redeveloped a large commercial condominium unit on the first floor and basement of an existing building on Balfour Lane into four (4) affordable condominiums. This commercial condo space formerly served as the offices of the Cape Cod Visiting Nurses Association. The new condos are all two-bedroom units available to households earning under 80% AMI, with purchase prices of \$154,000. The building also houses three (3) market-rate units on the second floor, which were not purchased and remain as market rate housing.

The project was initially conceived by the Friends of Chatham Affordable Housing (FoCAH), a local organization that raises private funds and provides advocacy for affordable housing. FoCAH identified the property and raised money from the local community, including a CPA funding commitment of \$135,000, to fund the cost of acquisition. Working with FoCAH, the Lower Cape Cod CDC purchased the space in 2006 and assumed responsibilities for redevelopment.

Funding for the rehabilitation of the property included an additional \$150,000 of Community Preservation funding, substantial private funding raised by FoCAH, and a grant from Bank of America. FoCAH and the Lower Cape Cod CDC worked with an abutting property owner to secure a donation of excess sewer capacity, which resulted in the ability to hook-up to the Town

sewer and support the property's change in use from commercial to residential. The Lower Cape Cod CDC also contributed funding towards the project by lowering its developer's fee. The Chatham Housing Authority was hired to conduct marketing and buyer qualification.

This project clearly demonstrates how effective private fundraising efforts can be in affordable housing development, lead by a local organization of concerned citizens. It also shows how a partnership of these citizens, local government, a capable housing authority, and an experienced regional non-profit development corporation can effectively work together, each contributing their own resources and skills.

The project involved substantial Town support through the permitting process, which was done locally without the use of Chapter 40B. The Board of Selectmen, in their role as Sewer Commissioners, approved the connection to the Town Sewer in spite of a moratorium on sewer transfers and connections. The Chatham Planning Board approved a special permit for the change of use from commercial to residential, and the Historic Business District Committee approved improvements to the structure and grounds. Support resulted from the recognized need for affordable homeownership opportunities in Town, the strong partnership between FoCAH and the CDC, the use of local donations, and the redevelopment of an existing property within a designated growth zone. A change in use from commercial to residential was also appropriate because of the existing market-rate residential units on the second floor. The Lower Cape Cod CDC worked with the existing market-rate owners to allay concerns about the affordable units, and to lay the groundwork for a healthy condominium association. The existing owners were reassured by the CDC's plans for significant improvements to the shared grounds and building exterior. Existing residents were also interested to learn that their new neighbors would be purchasing the units at prices fairly comparable (with inflation) to what the market-rate units had originally sold for when built twenty years before. The new owners would therefore not have significantly different incomes than the original occupants.

This project is also an example of appropriate "smart growth." The project reused an existing building, created density in a designated growth zone, supported residential development in a mixed-use Village Center, and incorporated "green" or "sustainable" design principles in the construction.

For this particular project, the Town wanted all of the units to be reserved exclusively for qualifying Chatham residents, and therefore the units are not be included in the Subsidized Housing Inventory. Nevertheless, the units are restricted as affordable in perpetuity, and still fill a compelling local need for affordable housing.

- *Affordable Accessory Unit (AADU) Technical Assistance Grant Program*  
The Town of Chatham introduced the Affordable Accessory Unit (AADU) Technical Assistance Grant Program in 2008 to increase the availability of affordable year-round rental housing by encouraging property owners to convert part of their property to an affordable unit. The program offered financial assistance to property owners to bring the accessory unit into compliance with building, health and safety codes. It was expected that funding applications would be accepted on a rolling basis, and \$60,000 in CPA funding was initially made available to launch the program. The Program did not generate any activity however, and the funding was returned to the Community Preservation Fund and reallocated.

### *Proposed/Pipeline Projects*

There are other projects that include affordable units that are in the predevelopment stages that include the following:

- *West Chatham Project*  
CHA was able to purchase a property on West Chatham Road at a discounted price (purchased for \$300,000 at about \$200,000 below the market price) after issuing a Request for Proposals (RFP) for an appropriate site. The \$300,000 in acquisition money also came from the Town's Affordable Housing Trust Fund, which was initially funded with \$150,000 from the developer of the Chatham Village project and then by CPA funding. Another \$45,000 in Trust Funds was committed to help fund predevelopment costs. The Housing Authority issued a Request for Proposals (RFP) to solicit interest from a developer and selected Habitat for Humanity of Cape Cod, which will build four (4) single-family homes (2 two-bedroom and 2 3-bedroom) for those earning at or below 65% AMI. The property will be developed through the Town's flexible zoning bylaw.
- *Middle Road Project*  
The Town has identified a parcel it owns on Middle Road for possible development as affordable homeownership units. The next step would be to hire a consultant to coordinate the early stages of development.
- *Main Street/Chatham Village Project in South Chatham*  
This project was approved under a comprehensive permit for the construction of ten (10) townhouse units on approximately 1.63 acres of land on Main Street, including two (2) affordable two-bedroom units targeted to those earning at or below 50% of area median income. The developer has completed the first building and is waiting to sell some of the units before continuing construction.

### **3.3 Priority Housing Needs**

As the affordability analysis indicates in Section 3.2.7 above, significant gaps remain between what most current residents can afford and what housing is available. In addition to sizable income requirements, both purchasers and renters are confronted with substantial up-front cash requirements and credit checks when seeking housing. Also, long-term residents encounter difficulties keeping up with housing expenses including taxes, utilities and insurance. It is no wonder that in 2010, 884 households were spending too much on their housing (spending more than 30% of their income on housing), including 200 renters and 684 owners.

Chatham needs to focus on increasing the supply of housing at a variety of levels of affordability, including both rental and homeownership options. To better assess housing needs, the Chatham Affordable Housing Committee commissioned a *Housing Needs Survey* that was sent to every household in Chatham in November 2006.<sup>14</sup> The results of that survey and the subsequent

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<sup>14</sup> There were 834 respondents to the Housing Needs Survey, approximately 23% of the total year-round households in Chatham. Of those, 94.8% lived full-time in Chatham and 44.7% were employed in town. An extremely large percent (82.2%) were either one or two-person households, and only 11.4% had children under age 18. Almost two-thirds (65%) lived in homes with three (3) or more bedrooms. Of those responding, 84.7% indicated they were adequately housed, and of the 15.3% who claimed they had unmet housing needs, 53% were renters, 40% were homeowners, and 7% replied to the "other" category. Over 22% of respondents indicated they had family who would

Housing Summit of January 2007 helped frame the needs and priorities for this Housing Production Plan as well as the actions included in Section 6. Based on the survey and input from a wide variety of other sources, including demographic and housing characteristics and trends (Section 3.1 and 3.2), housing goals (Section 2.2), and prior planning efforts, the following priority housing needs have been identified:

***1. Households with Limited Incomes – Need affordable rental housing***

Despite increasing household wealth, there still remains a population living in Chatham with very limited financial means. Given the high costs of rental housing, including sizable up-front costs (first and last months rent, a security deposit, and/or moving expenses) and limited development of such units, more subsidized rental housing is necessary to make living in Chatham affordable, particularly for the community's most vulnerable residents.

In 2010, Chatham's housing stock included a 77 to 23 percent ratio of homeownership units to rentals. Also, 83% of existing affordable units in the SHI have been rentals in an effort to continue to diversify the housing stock and to serve those most in need. In fact, the 139 rentals represent one-fifth of all rental units in Chatham. The Town will need to pay particular attention to the following indicators of the continued need for affordable rental housing:

*Indicators of Need*

- Poverty increased for individuals and families between 1999 and 2010, declining only for those 65 years of age or older.
- Despite relatively high median income levels, there were still residents with very limited incomes in 2010, including 543 households earning less than \$35,000, 348 of whom earned less than \$25,000.
- There were 239 renters earning at or below 80% of median family income (MFI) with 110 of these earning at or below 50% MFI.
- Of the 239 renter households earning at or below 80% MFI, 165 were spending too much on their housing including 65 who were spending more than half of their income on housing expenses.
- The lowest rent advertised on Craigslist in September 2012 was \$975 for a one-bedroom apartment, requiring an income of about \$43,000, factoring in some utility costs. There were in fact very few year-round rental listings advertised at all.
- A concentration of lower paying retail and service sector jobs that supports Chatham's tourist industry brings the average weekly wage to the relatively low level of \$726, about 48% of Boston's average weekly wage at \$1,507. This wage level translates into a yearly income of about \$38,000, which is still insufficient to cover the costs of the lowest advertised one-bedroom apartment of \$975 without spending too much for housing. Average weekly wages for service and retail workers are less than \$600, supporting an annual income of only about \$31,000.
- There are only ten (10) subsidized rental units available to families in Chatham, managed by the Chatham Housing Authority at its Family On Site Housing development with waits of up to five (5) years and a wait list of 80 applicants, two from Chatham.

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like to relocate to Chatham but could not afford the high costs of living in town. Ten percent of the respondents stated that they were thinking about moving out of Chatham due to their unmet housing needs.

- Waits are approximately two to five years for small one-bedroom units at the Housing Authority's Anchorage development that serves seniors and the younger disabled. The wait list includes 129 applicants, eight (8) who are Chatham residents.
- The wait list for the Housing Authority's housing vouchers has been closed for years with a total of 80 applicants.
- There has been very little multi-family rental development in the last decade or so with the exception of Lake Street Affordable Housing with 47 subsidized apartments.
- The initial leasing of the 47 Lake Street apartments indicated that there were more than enough applicants for all income tiers in the development with proportionately more applicants for the lowest income tier – those earning at or below 30% of area median income. This has been the experience of other non-profit housing developers on the Cape. It should be noted that many applicants have been determined ineligible to enter the lottery pools due to poor credit or because their incomes were too low to afford the affordable rents.
- More than half of renters live in single-family homes as multi-family housing is scarce.
- Of the renters who responded to the Town's Housing Survey with unmet housing needs, 56% indicated that their rent was beyond their means, 18% thought their accommodations were too small, 17% could not adequately maintain their housing, and 9% responded "other". Forty-three percent (43%) of the renters needing housing were individuals, 17% were families, and 7% were elderly. A significant percentage of renters (30%) claimed that while they needed housing they were over-income for traditional subsidized housing.
- In 2012, the Cape Cod and the Islands Regional Network to Address Homelessness counted 445 people in its annual "point in time" homeless count. This count included 270 individuals as well as 175 living in families (66 families). While it should be noted that it is impossible to get a complete and accurate count of how many are homeless in just one day, this annual census does demonstrate that there is a considerable number of people who are homeless in the region. It also indicated that there has been about a 26% decrease (170 to 126) in the last seven years in those in shelters or on the street and a 34% reduction (86 to 57) in the number of families in shelter or on the street. The counts do not include the hidden homeless who are not by choice doubled-up with others or otherwise precariously housed.

## *2. Gaps in Affordability and Access to Affordable Housing – Need affordable homeownership opportunities*

Housing in Chatham is expensive with large gaps between what housing costs and what many year-round residents can afford. Even though the town has a very high level of homeownership, 77%, there would be a public benefit for the town to promote opportunities for newer and younger households to purchase a home and establish roots in Chatham. A wider range of affordable housing options is needed for these younger households entering the job market and forming their own families as well as municipal employees, other town employees, and seniors looking to downsize. Efforts to help prevent foreclosures should also be bolstered.

### *Indicators of Need*

- The 2006-2010 American Community Survey estimates indicated that the 2010 median house value was \$612,900, and that there were only 81 units valued at less than \$200,000 in 2010 that might have been affordable to those earning at or below 80% of area median income. It is likely that these units were very small and required substantial improvements.

- Sales data for January through August 2012 indicated that there were a total of 113 sales, 100 single-family homes and 13 condos, with only three (3) very small single-family homes and two (2) condominiums that selling below \$200,000.
- There were only 72 single-family homes and 69 condominiums that might have potentially been affordable to households earning at or below 80% of area median income.
- Based on the median single-family house price of \$560,000 as of the end of August 2012, a purchaser would have to earn approximately \$130,000 with 95% financing and \$105,000 with 80% financing,<sup>15</sup> substantially more than the estimated median income of \$65,990 in 2010.<sup>16</sup>
- The median condo price was \$332,500 as of August 2012, requiring an income of about \$87,600 with 5% down and \$73,600 with the 20% down payment.
- Increasingly rigorous mortgage lending criteria, including down payments of 20% of the purchase price (\$112,000 for the median priced home) exert a substantial challenge for those who do not have equity from a previous purchase or sufficient income to put into savings. Issues related to credit problems also hamper access to homeownership for many.
- The affordability gap was an estimated \$217,000 as of August 2012 for single-family homes, the difference between \$343,000, based on what a median income household could afford (for an average household of two and 80% financing) and the median house price of \$560,000 at that time. The upfront cash requirements for the down payment and closing costs in effect substantially add about another \$115,000 to this affordability gap in the case of 80% financing. The gap widens to \$278,000 plus some upfront cash requirements for 95% financing.
- When looking at the affordability gap for those earning at 80% of area median income, the gap increases considerably to \$328,000, the difference between the median priced single-family home and what a two-person household earning at this income level can afford, or \$232,000, based on 95% financing.
- In regards to condos, the affordability gap was \$40,000 as of August 2012, the difference between the median priced condo of \$332,500 and what a median income household could likely afford or \$292,500 with 80% financing. For those earning at 80% AMI, the gap was \$146,000 (with 95% financing assuming they would qualify for a subsidized mortgage). Once again the high costs associated with obtaining mortgage financing effectively widen the affordability gap.
- Based on calculations in Table 3-29, there was a deficit of 563 homeownership units for those earning at or below 80% AMI.
- Of the 704 owner households earning within 80% MFI, 399 were spending too much and 264 were spending more than half of their earnings on the costs of housing.
- There were 135 owners over the age of 62, 100 who were earning between 30% and 80% MFI and 35 earning above 80% MFI, who were paying too much for their housing.
- Small families and "other" families (meaning non-family and non-elderly families such as single persons living alone) were encountering the greatest cost burdens in proportion to their numbers.
- All owners with large families and earning below 50% MFI were experiencing severe cost burdens.

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<sup>15</sup> Figures based on 80% financing, interest of 5.0%, 30-year term, annual property tax rate of \$4.45 per thousand and insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), and private mortgage insurance estimated at 0.3125 of loan amount (not needed for 80% financing), and estimated monthly condo fees of \$250. Also based on a household spending no more than 30% of its income on housing costs.

<sup>16</sup> Based on the US Census Bureau's 2006-2010 American Community Survey.

- Demographic trends suggest that high housing costs may be pricing younger individuals and families out of the housing market as those entering the labor market and forming new families have been dwindling in numbers, reducing the pool of entry level workers and service employees as well as forcing the grown children who were raised in town to relocate outside of Chatham. For example, those in the 25 to 34-age range decreased significantly between 1990 and 2010, dropping to 6.4% of the population in 2010 from 11.1% in 1990, and from 728 to 394 residents or by almost 46%. Even those who were somewhat older, age 35 to 44, decreased by about 35%.
- The financial crisis of the past few years has precipitated greater foreclosure activity.
- There are few housing options, particularly affordable ones, for seniors looking to downsize to units that require less maintenance yet the number of older residents has been increasing significantly, particularly the frail elderly.
- Of the homeowners who claimed they had unmet housing needs in the Town's Housing Survey, 44% indicated that they could not adequately maintain their home, 36% responded that their mortgage was beyond their means, 15% indicated "other", and 11% stated that their unit was too small. Thirty-eight percent (38%) of homeowners needing housing were individuals, 7% were families, and 7% were elderly. About one-fifth of the homeowners (21%) indicated they were over-income for traditional affordable housing opportunities.

### ***3. Housing Conditions – Need home improvement resources***

Programs to support necessary home improvements – including deleading, handicapped accessibility, and septic repairs for units occupied by low- and moderate-income households – are needed, particularly for the elderly living on fixed incomes.

#### *Indicators of Need*

- There were 1,272 units built prior to 1940, representing about 18% of the total number of housing units in 2010. Another 3,731 units were built between 1940 and 1980 for a total of 5,003 units as of 1980 and more than two-thirds of the housing stock of 2010. Some of these older units are also likely to have deferred maintenance needs.
- Those homes built prior to 1978 may still have traces of lead-based paint, posing safety hazards to children.
- Because properties in Chatham are largely reliant on septic systems, it is likely that there are homes with failing systems that require repair or replacement, which is particularly worrisome given the sensitive environmental conditions of Cape Cod.
- There were a number of property owners who benefited from the Housing Rehabilitation Loan Program was administered by the Lower Cape Cod CDC (renamed the Community Development Partnership) with CDBG funding. This funding is no longer available.

### ***4. Special Needs Housing – Need barrier-free units and supportive services***

There were approximately significant numbers of residents who claimed some type of disability, and given the aging of the population, greater emphasis should be placed on housing that includes supportive services, barrier-free improvements, and increased conformance with universal design guidelines for handicapped accessibility, adaptability and visitability.

#### *Indicators of Need*

- Of the residents between age 5 and 20, 118 or 14.6% claimed a disability, which included sensory, physical and mental disabilities. Of those age 21 to 64, 835 residents, or 25.5% of the

persons in the age range, indicated they were disabled. About 77% of this group was employed, leaving another 23% or 192 residents unemployed, likely related to their disability. In regard to the population 65 years of age or older, 550 seniors or 25.5% of those in this age group claimed some type of disability. These levels of disability, involving more than 1,500 residents, represent significant special needs within the community.

- Those in the 45 to 64-age range increased significantly, going from 22.1% of the population in 1990 to almost one-third by 2010.
- The number of those 65 years of age and older comprises more than one-third of all residents, 37.7%, by 2010. Certainly Chatham’s reputation as a retirement community is well earned. Of particular note were the frail elderly of at least age 85 who increased by 44% during these two decades.
- There are two (2) units at the Chatham Housing Authority’s On Site Family Housing development that are handicapped accessible and that rarely if ever turnover. One of the tenants has been there at least 16 years and the other unit turned over last year because the tenant passed away.
- Elder Services of Cape Cod reported a big gap for supportive housing or assisted living units for elders on Medicaid. There is only one assisted living facility in Chatham, The Victorian, with 22 units and prices ranging from \$2,950 to \$4,300, well out of the affordable range.
- There is one nursing home in Chatham, the Liberty Commons Nursing Home. Many residents go to nursing facilities in nearby communities including three (3) in Harwich and one (1) in Brewster as well as an assisted living development in Harwich, Pleasant Bay.
- The Council on Aging indicates that there has been an increase in requests for services, such as Fuel Assistance, over the past several years and that many seniors are living on next to nothing. They emphasized the need for more housing options for seniors, many who have to leave the community to find more appropriate and affordable housing elsewhere, some needing supportive services.

A summary of housing goals based on these priorities is provided in Table 3-31, premised on producing an average of 17 affordable units per year, reflective of production goals under the state Housing Production guidelines, and a balance of about 75% to 25% rental versus homeownership units. At least 10% of the new units produced should include handicapped accessibility and/or supportive services for special needs populations and seniors. Goals for housing rehabilitation are based on at least two (2) units per year and the ability to secure necessary subsidy funds.

**Table 3-31: Housing Production Goals Based on Types of Units**

Type of Units	1-Year Goals	5-Year Goals
Rental Housing	13 units	65 units
Families/Individuals	10	50 units
Seniors	3	15 units
Homeownership Units	4 units	16 units
Total	17 units	85 units
Handicapped accessibility and/or supportive services/about 10% of new units produced	2 units	10 units
Promote housing assistance for property Improvements	2 participants in improvement programs	10 participants in improvement programs

#### 4. CHALLENGES TO PRODUCING AFFORDABLE HOUSING

While there are pressing needs for more affordable housing in Chatham, there also continue to be formidable challenges to producing such housing in town including the following:

- *Limited Developable Property*

Most prime properties have been developed, and there are fewer parcels available that do not involve development restrictions or environmental issues, such as wetlands. As a result, it will become increasingly challenging to locate development opportunities for affordable housing.

A Buildout Analysis was conducted in 2005 to estimate the potential number of remaining developable residential parcels as part of the planning process in developing Chatham's Comprehensive Wastewater Management Plan (CWMP). This Geographic Information System (GIS) parcel level analysis took into account the following criteria: existing zoning, the development/subdivision of all vacant developable parcels, subdivision of existing residential parcels, a 10% area reduction of "subdividable" parcels for roads/access and assumed all existing non-residential use will remain the same. The primary focus of the analysis was on differentiating between developable vacant parcels and undevelopable parcels. The initial build-out analysis performed by the state earlier in the decade was also based upon the criteria noted above but the 2005 updated analysis also took the following issues into consideration: conservation lands, conservation easements, proximity to wetlands, staff knowledge of specific sites, and parcel configuration.

The analysis estimated that of the Town's total parcels (7,546), approximately 80% (6,020) were developed. The number of existing residential vacant parcels that were identified as still developable totaled 573. This analysis also took into account the potential re-division of land for existing residentially-developed parcels that had additional developable land area capacity above the current district (e.g., a 40,000 sq. ft. lot in a 20,000 sq. ft. minimum lot area district). This analysis resulted in a potential net increase of new residential parcels by subdivision at 595. Putting the two portions of this analysis together, a maximum of 1,168 new residential parcels were identified under the set of assumptions used. This conservative upper limit generated for wastewater planning purposes assumes all residential parcels with additional developable land will ultimately develop their property to its maximum extent without consideration of potential rezoning.

To estimate the additional population impact at Buildout for the purposes of this HPP, two factors were applied to the 1,168 residential parcels identified to adjust for the seasonal nature of Chatham's housing stock (approximately 50% of the total) and the 2000 U.S. Census Bureau figure for persons per occupied household unit (2.10). After applying the above factors, an additional 1,226 persons will be added to the year round population based upon the assumption of the analyses and factors above.

*Mitigation Measures:*

It will be important to guide future development to appropriate locations, maximizing density in some areas and minimizing the effects on the natural environment and preserving open space corridors and recreational opportunities. Therefore, changes to the Town's Zoning Bylaw will be necessary which will consequently alter buildout calculations.

Because of the limited amount of developable property, it is all the more important that the new units that are created help diversify the housing stock and provide greater affordability. This Plan suggests several zoning mechanisms to mandate and incentivize affordable units as well as strategies to promote more housing choices (see Section 6).

- ***Environmental Concerns***

The Town has a small sewer system and wastewater treatment facility that provides services to about 500 properties. Significant amounts of nitrogen are still accumulating in the groundwater from on-site septic systems. Nitrogen loading affects the community's drinking water and is a serious threat to the town's surface water, particularly salt ponds and estuaries that are so environmentally sensitive.

There are also a number of wildlife and vegetative species that have been identified by the state and/or federal government as being threatened with extinction, endangered or of special concern in Chatham. For example, the Piping Plover and Northern Harrier are both bird species that are threatened and the Roseate Tern and Pied-billed Grebe are identified as endangered. Two dragonfly species are also threatened including the Scarlet Bluet and Pine Barrier Bluet. The Massachusetts Division of Fisheries and Wildlife lists a number of plants that are also rare and of special concern.

*Mitigation Measures*

The Town will continue to implement the Comprehensive Wastewater Management Plan that was completed in 2009. It will also support continued research, evaluation and approval of alternative wastewater treatment facilities in support of new development. Moreover, the Town will carefully assess the impacts of any new development in order to reduce any adverse environmental impacts that might result before approvals are issued. The Town is also committed to acquiring environmentally sensitive parcels and continuing resident education on the importance of protecting the environment.

- ***Zoning***

As is the case in most American communities, a zoning bylaw or ordinance is enacted to control the use of land including the patterns of housing development. The Chatham Zoning Bylaw, which was recently revised in August 2012, includes six (6) different residential zoning districts (R20, R20A, R30, R40, R40A, and R60) plus a Residence-Seashore Conservancy district as well as business (Small Business/SB and General Business/GB), industrial (I), and municipal districts (Municipal/M and Municipal-Conservancy/MC) districts. Five (5) overlay districts have also been established including one for flexible development.

The dimensional requirements for these districts are summarized in Table 4-1. Minimum lot sizes range from 5,000 square feet in the General Business 1 district to three (3) acres in the Residence-Seashore Conservancy district with between about a half-acre to one and a half acres in the Residence districts. Large lot zoning has been used to protect the environment, a particularly important issue on the Cape, and to also slow the growth of development. Such zoning can also lead to inefficiencies in the development of land, which the town has tried to partially remedy through its flexible zoning and Open Space Residential Development bylaws described later in this section.

**Table 4-1: Dimensional Regulations by Zoning District**

	R60	R40/ R40A	R30	R20	R20A	SB	GB	I	RC3
Min. Lot Size	60,000	40,000	30,000	20,000	20,000	20,000	5,000-10,000	10,000	3 acres
Min. Frontage	150	150	100	100	100	125	50-100	50	150
Setback/Road	40	40	25	25	25	50	5-50	10	50
Setback/ Abutter	25	25/40	15	15	15	20	5-15	5	50

Note: Dimensions are in square feet or linear feet.

The uses that are allowed in each of the major districts are presented in Table 4-2. Single-family homes are allowed by-right in the Residential districts and Small Business district. Multi-family structures are allowed under Special Conditions in the R-20 district and by Special Permit and Site Plan Review in the General Business district. Affordable apartments that are incidental to single-family homes are allowed under Special Permit in all zoning districts with the exception of the Industrial and Municipal Conservancy districts.

**Table 4-2: Schedule of Zoning Regulations for Housing-related Uses**

Uses	R60	R40/ R40A	R30	R20	R20A	SB	GB	I	MC	M
Single-family Dwelling	P	P	P	P	P	P	SP	X	X	X
Multi-family Dwelling	X	X	X	X	SC	X	SP/SPA	X	X	X
Acc. Apt.	SP	SP	SP	SP	SP	SP	SP	X	X	SP
Apt. in Comm. Building	X	X	X	X	X	X	SP	P	X	X
Boarding/ Rooming house	SC	SC	SC	SC	SC	SC	SC	X	X	X
Cong. Living Facility	X	X	X	X	X	X	SP/SPA	X	X	X
Conv. To Multiple Dwelling	X	X	X	X	X	SP	SP	X	X	X
Group Dwelling	SP	SP	SP	SP	SP	SP	SP	X	X	X
Mobile Home	SC	SC	SC	SC	SC	SC	SC	X	X	X

P = Permitted; SC = Special Condition; SP = Special Permit; SP/SPA = Special Permit and Site Plan Approval; X = Prohibited

The Zoning Bylaw also includes specific provisions to promote smart growth development and affordable housing, directing future development to appropriate locations. There are also a number of provisions regarding the conversion of various types of properties that involve housing as well. These provisions include:

The Flexible Development Overlay District offers the Town a mechanism to better control and promote a mix of commercial and multi-family housing, independent living facilities or congregate living facilities in selected zones with

a Special Permit and Site Plan Approval. It is likely that the proposed West Chatham affordable homeownership project will be developed by Habitat for Humanity of Cape Cod under this bylaw.

The Open Space Residential Development (OSRD) bylaw allows for greater flexibility and creativity in the development of single-family homes by encouraging more compact or clustered development and open space preservation through a Special Permit. The total number of units on the parcel cannot exceed what is permitted under a conventional subdivision and the minimum land area must include at least five (5) acres of upland. The minimum lot area is 10,000 square feet per dwelling. The common open space must be at least 50% of the land area, all of which must be buildable upland.

Affordable Apartment Incidental to a Single-Family Dwelling bylaw was adopted to meet the needs of the town's residents and workers by promoting year-round affordable rental units that are part of an existing single-family dwelling or in a separate building that is accessory to the single-family home, often referred to as accessory or in-law apartments. The owner of the property must reside in either the apartment or the principal dwelling unit. A Special Permit is required and the property must include at least 20,000 square feet of buildable upland. A total of four (4) parking spaces must be provided on site, two (2) for the apartment as well as the principal dwelling unit. The accessory units must meet all requirements under the state's Local Initiative Program (LIP), where the Chatham Housing Authority coordinates eligibility. Given state changes in LIP requirements for accessory units, this program has never taken hold.

The bylaw allows Apartments Incidental to a Commercial Use or Industrial Use in the GB and I districts as long as the lot includes at least 10,000 square feet for each apartment and no more than four (4) apartments per building in the GB district and no more than a single two-bedroom apartment incidental to a commercial or industrial use in the I district.

The Affordable Dwelling Units, Mandatory Provision is an inclusionary zoning bylaw to ensure that residential developments of ten (10) or more units include affordable units equivalent to at least 10% of all units in the development. The affordable units must meet all requirements under the state's Local Initiative Program (LIP), overseen by the Chatham Housing Authority.

The bylaw provides a number of options for the developer. For example, it allows the developer to build an equivalent number of affordable units off-site under the same requirements as any on-site units. The bylaw also enables the developer to donate land that the Planning Board determines is suitable for the development of an equivalent number of affordable units off-site. Another provision allows the developer of a non-rental project to pay a fee in-lieu of the actual units equal to three (3) times the annual income of an income-eligible household of four (4) for each unit. Density bonuses may also be granted by the Planning Board if the developer provides a greater number of affordable units than the mandatory 10%.

Boarding or Rooming Houses and Tourist Homes are permitted under Special Conditions in a number of zoning districts. Such conditions include that the property must be owner-occupied, there can be no more than eight (8) rooms, and not more than two (2) persons may occupy a room.

The conversion of various types of properties is allowed under certain requirements. For example, the bylaw permits the Conversion of an Existing Dwelling to a Multiple-Family Dwelling in the business districts under Special Permit if there are no more than three (3) units per structure, there is at least 10,000 square feet of buildable upland area for each unit (although this might be waived if the property is connected to Town sewer), there are no units more than two stories above grade, as well as several other more minor requirements.

The Conversion of Public Lodgings to Condominiums (or cooperatives) is allowed by Special Permit of the Zoning Board of Appeals and Site Plan Review of the Planning Board but the structures have to comply with all requirements for Multi-family Dwellings (New Construction) such that the property cannot contain more than eight (8) bedrooms per acre of contiguous buildable upland as well as several other criteria, such as specific buffers, setbacks, street frontages, lot coverage, etc. by district.

The Conversion of a Cottage Colony to single-family use is allowed only if the lot upon which each building is located complies with the minimum dimensional requirements for single-family homes. The conversion of such properties to condominiums is allowed only if the number of units is not more than the total area of buildable upland divided by the minimum lot area for the district.

The Conversion of Nonconforming Seasonal Dwellings to Year-round Use is permitted as long as the property meets Title V requirements and local health regulations plus any expansion of the property must meet the minimum dimensional requirements. If the expansion exceeds 25% of the existing area, a Special Permit of the Zoning Board of Appeals is required.

Mobile homes are not allowed as permanent residences, only under a temporary occupancy permit as an office or while a permanent residence is being built.

The bylaw also addresses Independent Living or Congregate Living Facilities which are allowed under Special Permit of the Planning Board in the Flexible Development Overlay district and GB-1 district as long as there are no more than 12 units per acre of contiguous buildable upland, no unit contains more than two (2) bedrooms as well as other specific minimum dimensional requirements.

### *Mitigation Measures*

This Housing Production Plan includes a number of strategies that are directed to reforming local zoning regulations and making them “friendlier” to the production of affordable housing and smart growth development. These strategies include modifying the accessory apartment and inclusionary zoning provisions, allowing some use of small nonconforming lots for affordable housing, and promoting mixed-use development (see Section 6.2).

- ***High Property Costs***  
As detailed in Section 3.2.6, property is very expensive in Chatham as evidenced by the median price for all sales of \$563,500 as of August 2012. The costs of acquiring land makes it challenging to target development to anything but the luxury market without subsidies. Such market pressures are largely driven by the high demand for seasonal housing and second homes from those who are drawn to the exceptional beauty and charm of the community.

*Mitigation Measures*

The Town, guided by this Housing Production Plan, will continue to proactively promote affordable housing, subsidizing such development through the conveyance of Town-owned property at a nominal price and the infusion of CPA and Affordable Housing Trust funds and leveraging other public and private funds to the greatest extent possible. The Town will also use regulatory controls through zoning and permitting to encourage and expedite developments that meet local housing needs.

- ***Teardown Activity (Demo/Rebuild)***  
The high demand for housing and increasingly more limited availability of buildable property in the most desirable locations has precipitated the purchase of developed properties, demolition of the existing structures, and rebuilding of substantially more sizable homes. As a result, some of the smaller and more “affordable” homes are being lost, replaced by structures that are typically more expensive.

*Mitigation Measures*

Efforts to reduce this activity need to be continually promoted and enforced such as a demolition delay bylaw adopted by the town of Edgartown that not only requires a delay in issuing a demolition permit but also requires property owners to offer the house to the Housing Authority free of charge (who in turn contacts other housing organizations on the Island to determine interest) if it chooses to move the property to another location for use as long-term affordable housing. This initiative would have to piggyback some funding to cover moving expenses and identify locations for the relocated homes and should be considered at some point in the future.

- ***Transportation***  
Chatham residents do not have access to public transportation with the exception of limited bus service and the Council on Aging’s vans for seniors. Census estimates from the 2006-2010 American Community Survey suggest that 73% of workers drove alone to work, another 11% carpooled, while another 12% worked at home or walked to work. Only 18 workers claimed to use public transportation, 0.6% of all workers. The average commuting time was about 22 minutes, suggesting employment opportunities were typically located outside of Chatham. Additionally, owning and maintaining a car is beyond the means of many low- and moderate-income households, and some seniors are no longer able to drive and risk becoming isolated in their own homes.

*Mitigation Measures*

Opportunities to direct development to areas that are most conducive to higher densities, in that they are closer to commercial areas and bus lines, may serve to reduce transportation problems somewhat (see strategy 6.2.3).

- ***Availability of Subsidies***

While the Town has more housing resources available than it has had in the past to promote affordable housing, including Community Preservation funding<sup>17</sup> and the Affordable Housing Trust Fund, subsidy funds still remain in short supply and are highly competitive. Unlike most cities, Chatham does not receive an annual allocation of federal CDBG or HOME Program funding that provides substantial housing support for a wide range of housing activities. HOME funding is available by application from the Barnstable County HOME Consortium for the acquisition and rehabilitation of rental housing, homeowner repairs, rental assistance and first-time homeownership. Specific Downpayment assistance for first-time homebuyers, administered by the Housing Assistance Corporation, has been funded through HOME. To date Chatham has received \$100,000 in HOME funding for its Lake Street project, \$17,611 in downpayment and closing costs assistance, and \$22,637 for Rehab Program assistance.

In regard to state funds, several sponsors of developments in Chatham (i.e., Lake Street, public housing developments, group homes) have received financing from a number of state programs for affordable housing development. These awards have been essential to insuring the financial feasibility of the units, but these funds are extremely competitive. Moreover, the town has access to rental assistance vouchers, but these are in very short supply with only nine (9) units managed by the Chatham Housing Authority. It is also likely that state and federal subsidy funds will continue to decrease somewhat in the near future, which will further challenge the community's ability to meet local needs and production goals.

*Mitigations Measures*

This Housing Plan provides guidance on the use of Community Preservation Funds, Chatham's Affordable Housing Trust Fund, and HOME funding for affordable housing initiatives that will enable the Town to support the production of new affordable units and leverage other public and private funding sources.

- ***Community Perceptions***

In most communities, residents are concerned about the impacts that new development has on local services and the quality of life. They may also have negative impressions of affordable housing and question whether there is a real need for such development in their town. Therefore, local opposition to new affordable units is more the norm than the exception. On the other hand, given such high real estate prices, more people are recognizing that the new kindergarten teacher, their grown children, or the elderly neighbor may not be able to afford to live or remain in the community.

*Mitigations Measures*

Ongoing community outreach and education will be necessary to continue to acquaint the community with housing needs and garner local support and ultimately approvals for new housing initiatives. This Housing Production Plan also offers an excellent opportunity to showcase the issue of affordable housing, providing information to the community on local needs and proactive measures to

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<sup>17</sup> A total of about \$2.3 million in CPA funding has been allocated to support affordable housing since such funding became available in 2003.

meet these needs. It will be important to continue to be sensitive to community concerns and provide opportunities for residents to not only obtain accurate information on housing issues, whether they relate to zoning or new development, but have genuine opportunities for input.

## 5. HOUSING PRODUCTION GOALS

The Massachusetts Department of Housing and Community Development (DHCD) introduced the Planned Production Program in December 2002, in accordance with regulations that were meant to provide municipalities with greater local control over housing development. Under the Program, cities and towns were required to prepare and adopt a Housing Plan that demonstrated the production of an increase of .75% over one year or 1.5% over two-years of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory.<sup>18</sup> If DHCD certified that the locality had complied with its annual goals or that it had met two-year goals, the Town could, through its Zoning Board of Appeals, potentially deny what it considered inappropriate comprehensive permit applications for one or two-years, respectively.<sup>19</sup>

Changes to Chapter 40B established some new rules.<sup>20</sup> For example, Planned Production Plans are now referred to as Housing Production Plans. Moreover, annual goals changed from 0.75% of the community's year-round housing stock to 0.50%, meaning that Chatham will now have to produce at least 17 affordable units annually to meet annual production goals, still a formidable challenge. If the Town produces 35 affordable units in any calendar year, it will have a two-year period during which it will be able deny inappropriate 40B applications that do not meet local needs, without the developer's ability to appeal the decision.

Using the priority needs established in Section 3.3 and the strategies summarized under Section 6, the Town of Chatham has developed a Housing Production Program to chart affordable housing activity over the next five (5) years. The projected goals are best guesses at this time, and there is likely to be a great deal of fluidity in these estimates from year to year. The goals are based largely on the following criteria:

- At a minimum, at least fifty percent (50%) of the units that are developed on publicly-owned parcels should be affordable to households earning at or below 80% of area median income. The rental projects will also target some households earning at or below 60% of area median income and lower. It should also be noted that the Town can provide CPA assistance to subsidize units for those earning between 80% and 100% of area median income, sometimes referred to as "community housing" units, however these units cannot count as part of the Subsidized Housing Inventory.
- Projections are based on no fewer than four (4) units per acre, averaging about eight (8) total bedrooms. However, given specific site conditions and financial feasibility it may be appropriate

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<sup>18</sup> Massachusetts General Law Chapter 40B, 760 CMR 31.07 (1)(i).

<sup>19</sup> If a community has achieved certification within 15 days of the opening of the local hearing for the comprehensive permit, the ZBA shall provide written notice to the applicant, with a copy to DHCD, that it considers that a denial of the permit or the imposition of conditions or requirements would be consistent with local needs, the grounds that it believes have been met, and the factual basis for that position, including any necessary supportive documentation. If the applicant wishes to challenge the ZBA's assertion, it must do so by providing written notice to DHCD, with a copy to the ZBA, within 15 days of its receipt of the ZBA's notice, including any documentation to support its position. DHCD shall review the materials provided by both parties and issue a decision within 30 days of its receipt of all materials. The ZBA shall have the burden of proving satisfaction of the grounds for asserting that a denial or approval with conditions would be consistent local needs, provided, however, that any failure of the DHCD to issue a timely decision shall be deemed a determination in favor of the municipality. This procedure shall toll the requirement to terminate the hearing within 180 days.

<sup>20</sup> Massachusetts General Law Chapter 40B, 760 CMR 56.00.

to decrease or increase density as long as projects are in compliance with state Title V and wetlands regulations.

- Because housing strategies include development on privately owned parcels, production will involve projects sponsored by private developers through the standard regulatory process or the “friendly” comprehensive permit process. The Town will continue to work with these private developers to fine-tune proposals to maximize their responsiveness to community interests and to increase affordability to the greatest extent feasible, potentially infusing CPA funding where appropriate.
- The projections involve a mix of rental and ownership opportunities that reflect the priority housing needs in the Housing Needs Assessment (see Section 3.3) with about 75% of the units directed to rentals. The Town will work with developers to promote a diversity of housing types targeted to different populations with housing needs including families, older adults and other individuals with special needs to offer a wider range of housing options for residents.

**Table 5-1  
Chatham Housing Production Program**

<b>Strategies by Year Name/Housing Type</b>	<b>Affordable Units &lt; 80% AMI</b>	<b>80%-120% AMI or Ineligible for SHI</b>	<b>Market Units</b>	<b>Total # Units</b>
<b>Year 1 – 2013</b>				
Development of public property – West Chatham Habitat for Humanity/ ownership	4	0	0	4
40B – Main Street Chatham Village/ownership	2	0	6	8
40B -- Levi's Path	2	0	6	8
<i>Subtotal</i>	<i>8</i>	<i>0</i>	<i>12</i>	<i>20</i>
<b>Year 2 – 2014</b>				
Mixed-use development/rental	5	0	15	20
Group homes/special needs rental	8	0	0	8
Accessory apartments/rental	0	2	0	2
Small lot development/ownership	4	0	4	8
<i>Subtotal</i>	<i>17</i>	<i>2</i>	<i>19</i>	<i>38</i>
<b>Year 3 – 2015</b>				
Development of public property and “friendly 40B” process – Middle Road/rentals	34	0	0	34
Accessory apartments/rental	0	2	0	2
<i>Subtotal</i>	<i>34</i>	<i>2</i>	<i>0</i>	<i>36</i>
<b>Year 4 – 2016</b>				
Covered under Year 3				
Accessory apartments	0	2	0	2
Inclusionary zoning/ownership	4	0	36	40
<i>Subtotal</i>	<i>4</i>	<i>2</i>	<i>36</i>	<i>42</i>
<b>Year 5 – 2017</b>				
Covered under Year 3				
Accessory apartments	0	2	0	2
<i>Subtotal</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>2</i>
<b>Total</b>	<b>63</b>	<b>8</b>	<b>67</b>	<b>138</b>

## 6. HOUSING STRATEGIES

The strategies outlined below are derived primarily from the Local Comprehensive Plan, former draft Affordable Housing Plan, Housing Needs Assessment in Section 3, the public forum on November 28, 2012, local housing goals, existing local initiatives, and the experience of other comparable localities in the area and throughout the Commonwealth. The strategies are grouped according to those that build local capacity to promote affordable housing as well as those involving regulatory changes, production initiatives and direct assistance to residents. They are also categorized according to priority – those higher priority actions to be implemented within Years 1 and 2 and those of more moderate priority for Years 3 to 5. A summary of these actions is included in Table 1-1.

The strategies also reflect state requirements that ask communities to address all of the following major categories of strategies to the greatest extent applicable:<sup>21</sup>

- *Identification of zoning districts or geographic areas in which the municipality proposes to modify current regulations for the purposes of creating affordable housing developments to meet its housing production goal:*
  - Encourage mixed-use development (strategy 6.2.3)
- *Identification of specific sites for which the municipality will encourage the filing of comprehensive permit projects:*
  - Make suitable public property available for affordable housing (strategy 6.3.1)
  - Promote “friendly 40B” development (strategy 6.3.2)
- *Characteristics of proposed residential or mixed-use developments that would be preferred by the municipality:*
  - Modify accessory apartment bylaw (strategy 6.2.1)
  - Encourage mixed-use development (strategy 6.2.3)
  - Encourage special needs housing (strategy 6.3.3)
  - As indicated in strategy 6.3.2, the Town should explore the acquisition of property and work with developers to create affordable housing in line with smart growth principles including:
    - The redevelopment of existing structures,
    - Infill site development,
    - Parcels large enough to accommodate clustered housing, and
    - Mixed-use properties in the Town Center, village areas or along commercial corridors.
- *Municipally owned parcels for which the municipality commits to issue requests for proposals to develop affordable housing.*
  - Make suitable public property available for affordable housing (strategy 6.3.1)
- *Participation in regional collaborations addressing housing development*
  - Help qualifying residents access housing services (strategy 6.4.2)

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<sup>21</sup> Massachusetts General Law Chapter 40B, 760 CMR 56.03.4.

- o Participation in the Barnstable County HOME Consortium and Cape Cod and the Islands Continuum of Care

*It should be noted that a major goal of this Plan is not only to strive to meet the state's 10% affordability threshold under Chapter 40B, but to also to serve the range of local needs. Consequently, there are instances where housing initiatives might be promoted to meet these needs that will not necessarily result in the inclusion of units in the Subsidized Housing Inventory (examples potentially include the promotion of accessory apartments and mixed-income housing that includes "community housing" or "workforce housing" units).<sup>22</sup> More commonly, housing affordability is being referred to as either little "a" affordability, meaning that the units do not meet all state requirements for inclusion in the Subsidized Housing Inventory (SHI) but still meet local housing needs, versus big "A" affordability for those units that can be counted as part of the SHI. The Town will also encourage developers to incorporate universal design and visitability standards, particularly given the high number of seniors and those with special needs in the community.*

Within the context of these compliance issues, local needs, existing resources, affordability requirements and housing goals, the following housing strategies are proposed. *It is important to note that these strategies are presented as a package for the Town to prioritize and process, each through the appropriate regulatory channels.* Moreover, these actions present opportunities to judiciously invest funding to subsidize actual unit production (predevelopment funding and/or subsidies to fill the gap between total development costs and the affordable rent or purchase prices) and leverage additional resources, modify or create new local zoning provisions and development policies, help preserve the existing affordable housing stock, and build local capacity.

## **6.1 Strategies That Build Local Capacity to Promote Affordable Housing**

Chatham is a small town and, unlike many cities, does not have substantial state or federal funding to support local housing initiatives on an ongoing basis. Nevertheless, the Town has a local structure in place to coordinate housing activities that includes the following components:

The *Department of Community Development* is the Town's chief planning and development agency. The Office staff develops plans, policies, programs and projects related to the Town's physical development, economic development, affordable housing, historic preservation and environmental conservation.

The *Chatham Affordable Housing Committee* is the designated municipal board for overseeing affordable housing issues and policies, including the development of this Housing Production Plan.

The Town has established the *Chatham Affordable Housing Trust* to manage a dedicated fund for subsidizing affordable housing. The Housing Trust is composed of all members of the Board of Selectmen.

The *Chatham Housing Authority* not only owns and manages 69 units of subsidized housing and nine (9) rental subsidies (federal Section 8 and state MRVP), but administers a number of important affordable housing initiatives including the Chatham Homebuyer Assistance Program (CHAP), Chatham Housing

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<sup>22</sup> Community housing generally refers to units directed to those earning between 80% and 100% AMI, whereas workforce housing refers to units directed to those earning between 80% and 120% AMI, but still priced out of the private housing market.

Opportunities Program (CHOP), and the Chatham Voucher Program. The Housing Authority has also been involved in project development, including the marketing of affordable units to eligible occupants.

*Friends of Chatham Affordable Housing (FoCAH)* is an organization of concerned residents who are advocates of affordable housing and involved in raising funds in support of such development. These residents recognized that the town was quickly losing young families because of the high costs of living, particularly housing costs, and wanted to continue to live in a community with children as well as an employment base for local services.

The Town also approved the *Community Preservation Act (CPA)*, which provides important local funding for affordable housing.<sup>23</sup> In May 2003, Chatham residents adopted the Community Preservation Act with a surcharge of 3%, exempting the first \$100,000 of a property's value as well as the participation of low-income property owners. To date almost \$5.2 million has been raised through the local surcharge and matched with about \$3.8 million from the state for a total of approximately \$9 million, \$2.3 million of which has been allocated in support of affordable housing initiatives. The state's share has decreased over the last several years, largely the result of the depressed housing market as the fees from the Registry of Deeds are the main source of the state's match.

*Other local and regional entities* also bolster housing efforts, working in partnership with the Town to produce housing and provide important assistance to residents. These entities have included the Chatham Housing Authority, Habitat for Humanity of Cape Cod, the Housing Assistance Corporation (HAC), Community Development Partnership (CDP), The Community Builders (TCB), Barnstable County HOME Consortium, Cape Cod Commission (CCC), among others.

In order to make the comprehensive permit process more predictable and efficient, the Town created *Local Guidelines for Comprehensive Permit Applications*. While Chatham has not seen many comprehensive permit applications from private developers like many of its neighbors, the development of guidelines will help to encourage development in the Town's growth areas.

This *Housing Production Plan* will also boost the Town's capacity to promote affordable housing as it provides the necessary blueprint for the next five (5) years, prioritizing and implementing affordable housing initiatives based on documented local needs, community input and existing resources. The Plan will also provide important guidance on how to invest local funding for housing and serve as a comprehensive resource on housing issues in Chatham that can be readily updated as necessary.

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<sup>23</sup> In September of 2000, the Community Preservation Act (CPA) was enacted to provide Massachusetts cities and towns with another tool to conserve open space, preserve historic properties and provide affordable housing. This enabling statute established the authority for municipalities in the Commonwealth to create a Community Preservation Fund derived from a surcharge of up to 3% of the property tax with a corresponding state match of up to 100% funded through new fees at the Registry of Deeds and Land Court. Once adopted the Act requires at least 10% of the monies raised to be distributed to each of the three categories (open space, historic preservation and affordable housing), allowing flexibility in distributing the majority of the money to any of the three uses as determined by the community. The Act further requires that a Community Preservation Committee of five to nine members be established, representing various boards or committees in the community, to recommend to the legislative body, in this case the City Council, how to spend the Community Preservation Fund.

To further build local capacity to meet local housing needs and production goals, the Town will explore the following activities. While such actions do not directly produce affordable units, they help build important local support for new and continuing affordable housing initiatives.

### ***6.1.1 Capitalize the Affordable Housing Trust Fund***

*High Priority: Years 1 and 2*

On June 7, 2005, the Municipal Affordable Housing Trust Fund Act was enacted, which simplified the process of establishing housing funds that are dedicated to subsidizing affordable housing. The law provides guidelines on what trusts can do and allows communities to collect funds for housing, segregate them out of the general budget into an affordable housing trust fund, and use these funds without going back to Town Meeting for approval. It also enables trusts to own and manage real estate, not just receive and disburse funds. The law further requires that local housing trusts be governed by at least a five-member board of trustees, appointed and confirmed by Town Meeting. Per statute, the chief elected official must be one of the members of the Trust. While the new trusts must be in compliance with Chapter 30B, the law which governs public procurement as well as public bidding and construction laws, it is likely that most trusts will opt to dispose of property through a sale or long-term lease to a developer so as to clearly differentiate any affordable housing development project from a public construction one.

The Town of Chatham approved the establishment of its Affordable Housing Trust at its Annual Town Meeting on May 8, 2006, and the Trust is composed of all members of the Board of Selectmen and two (2) additional at-large members appointed by the BOS. To date, \$425,000 has been raised through the Housing Trust and \$345,000 has been allocated to the West Chatham project for acquisition and other predevelopment costs.

Some communities have decided to commit CPA funding on an annual basis to Housing Trust Funds without targeting the funding to any specific initiative. For example, the Towns of Grafton and Sudbury have been directing 10% of their annual CPA allocation to their Trust Funds for several years. The Trusts are encouraged to apply for additional CPA funds for specific projects. Scituate's Town Meeting funded its Housing Trust with \$700,000 of Community Preservation funding from its community housing reserves. The Town of Harwich has committed lease payments from its cell tower as well as sale proceeds of a Town-owned property (fetching more than a million dollars) to its Housing Trust Fund.

The Chatham Affordable Housing Trust will discuss the prospects of securing CPA funding on an annual basis with the Community Preservation Committee in an amount at least equivalent to the minimal annual allocation for affordable housing or 10%. This funding would also require Town Meeting approval.

### ***6.1.2 Conduct Ongoing Community Education***

*High Priority: Years 1 and 2*

Because most of the housing strategies in this Housing Plan rely on local approvals, including those of Town Meeting, community support for new initiatives has and will continue to be essential. Continued and strategic efforts to inform residents and local leaders on the issue of affordable housing and specific new initiatives builds support by generating a greater understanding of the benefits of affordable housing, reducing misinformation and dispelling negative stereotypes. These outreach efforts are

mutually beneficial as they provide useful information to community residents and important feedback to local leaders on concerns and suggestions.

The Town has sponsored significant opportunities for community input in the past, including a half-day housing summit in 2007 that involved more than 75 participants. The presentation of this Housing Production Plan offers another opportunity to bring attention to the issue of affordable housing, providing information on housing needs and proposed strategies that can help attract community support for affordable housing initiatives. The Chatham Affordable Housing Committee, with staff support from the Chatham Department of Community Development, held a meeting with local leaders on December 19, 2012 and a public forum with the Planning Board on March 26, 2013 to present the draft Plan and insure that residents and local leaders had input into its contents. An additional public meeting was held to present the Plan to the Board of Selectmen on April 9, 2013. Other education opportunities should continue to be pursued including special forums on all new housing initiatives, housing summits, public information on existing programs and services, enhanced use of public access television, and educational opportunities for board and committee members as well as professional staff.

### ***6.1.2 Establish a Working Partnership with the Economic Development Committee and Planning Board***

*High Priority: Years 1 and 2*

The Town recently established an Economic Development Committee to promote economic development activity including increases in jobs. There are opportunities for the Affordable Housing Committee and the Economic Development Committee to work together to achieve mutual goals, such as the bolstering of village areas where the integration of more housing, including some affordable housing, provides a number of important benefits:

- Reduces the reliance on the automobile as more residents live within walking distance to goods and services, which is particularly important in the context of an aging population
- Brings customers in closer proximity to businesses even into the evening hours and enlivens the area
- Directs growth to areas that are more appropriate for some increases in density
- Provides another income stream to property owners who create housing above their businesses
- Offers opportunities for the creation of diverse housing types such as artist live-work space, smaller apartments for growing smaller households, multi-family housing, etc.

Moreover, zoning is an important component of this Housing Production Plan and it will be essential that the Affordable Housing Committee support zoning changes that involve affordable housing and work closely with the Planning Board. Staff from the Department of Community Development can help facilitate meetings of the committees and perhaps combined subcommittees, to work on joint agendas.

## **6.2 Zoning and Regulatory Strategies**

To most effectively and efficiently execute the strategies included in this Plan and meet production goals, greater flexibility will be needed in the Town's regulations to capture more affordable units and better guide new development to "smarter" locations. It should also be noted that because Chatham does not have substantial amounts of subsidy funds available for affordable housing, zoning becomes the Town's most powerful tool for "incentivizing" affordable unit production.

### *6.2.1 Modify Existing Bylaws*

The Affordable Housing Committee, staffed by the Department of Community Development, should work with the Planning Board to explore the following modifications to the Zoning Bylaw:

- *Accessory Apartments (High Priority – Years 1 and 2)*  
The existing Accessory Apartment Bylaw has not been particularly successful and changes a few years ago required the compliance of such units with Local Initiative Program (LIP) Guidelines in hopes of creating more affordable units. Chatham also provided funding to help property owners finance the necessary improvements for the accessory units. Since then the state changed its LIP requirements, making it more challenging for the Town to promote such units as affordable. To comply with state Local Initiative Program (LIP) regulations the Town would have to also stipulate that owners of all “affordable” accessory apartments select tenants from a lottery-ranked list of interested and eligible tenants, following an affirmative marketing process. Also all accessory units would have to have deed riders to insure the long-term affordability of the accessory units.

Because accessory apartments provide small rental units that diversify the housing stock within the confines of existing dwellings or lots, the Town should revisit the bylaw to promote these units even if they are not eligible for inclusion in the Subsidized Housing Inventory (SHI).

The Planning Board, with support from the Department of Community Development, will consider possible provisions for allowing the following:

- Reconsideration of parking requirements currently including a total of four (4) parking spaces to be provided on site, two (2) for the apartment as well as the principal dwelling unit (as units are small they are likely to be occupied by single individuals with only one car),
- Possible by-right provisions,
- Insurance of enforcement provisions,
- Design guidelines to insure that structures still resemble single-family homes, and
- Possible granting of approvals for existing accessory apartments that do not have the necessary permits after appropriate inspections.

Moreover, the Town might consider provisions for accessory apartments that have been adopted by Wellfleet. This Program does not require deed restrictions nor does it include mandates for tenants to be selected from a pre-qualified Ready Renters List, and consequently the units, although affordable based on specified income and rent limits, would be ineligible for inclusion in the Subsidized Housing Inventory. Wellfleet has established the following process for approving Affordable Accessory Dwelling Units:

- Property owner applies for a special permit.
- Building Inspector and Board of Health visit and inspect the unit to determine if there are any health and safety violations that must be corrected prior to the owner obtaining the special permit. Those whose incomes are below 100% of area median are eligible for

participation in Wellfleet's Affordable Accessory Dwelling Unit Loan Program that provides no interest loans to support necessary improvements.

- The ZBA reviews the application and the reports submitted by the Building Inspector and Board of Health, holds a public hearing, and grants the special permit.
- The Building Inspector issues a Certificate of Occupancy prior to the unit being occupied.
- Prospective tenants must submit income information to the Assistant Town Administrator that documents that they qualify for the units. Once qualified, property owners will be officially notified of the monthly rent they are able to charge based on HUD Fair Market Rents. A list of qualified tenants is available to property owners, or owners may be able to select their own.
- The Town Assessor issues a tax abatement to the property owner based on a specified formula, without the need for the owner to submit to a separate application process (this requires state legislative approval).
- The property owner annually submits forms that document the continued eligibility of the tenant and use of HUD Fair Market Rents.

If a property owner decides at some point to opt out of the special permit, they must inform the Building Inspector and remove the kitchen in the accessory unit. They are allowed to convert the space to other uses such as a "private guest house" or office.

- *Small Lot Development (Moderate Priority – Years 3 to 5)*

There are parcels of vacant land that at this time cannot be developed because they do not meet the dimensional requirements of the Zoning Bylaw such as minimum lot size as well as front, rear and side yard requirements. It is likely that many of these parcels could in fact be suitably developed as housing. Smaller lots will encourage the construction of smaller homes under appropriate guidelines to provide some housing options that are not currently being created by the private market such as starter housing or homes for empty nesters interested in reducing their living space and home maintenance.

The Affordable Housing Committee might explore what other communities are doing with respect to these undersized lots and work with the Planning Board to prepare a zoning amendment to enable these lots to be developed based on specific criteria. One potential model is to adapt a bylaw that has been approved in Dennis to allow "affordable lots" that enables nonconforming lots to be built on by special permit if they meet the following conditions:

- Contain at least 10,000 square feet and satisfies other Board of Health requirements.
- Have safe and adequate access to a public or private way.
- Are similar in size and shape to surrounding lots.
- The dwelling cannot have more than three bedrooms with a minimum of 5,000 square feet per bedroom.
- The applicable front, rear and side yard requirements are determined by establishing an average setback based on the homes adjacent to and across the street from the lot in question.
- Where two lots are in common ownership, one of the two lots must be deed restricted to insure permanent affordability and where more than two lots are held in common ownership, the second, third and fifty percent of the remaining lots to be built upon

shall be deed restricted as permanently affordable (the fourth lot may be market rate, fifth affordable, sixth market rate, etc.).

- *Inclusionary Zoning (Moderate Priority – Year 3 to 5)*  
The Town of Chatham has an inclusionary zoning bylaw that requires one (1) affordable unit for every ten (10) units developed or one (1) lot for every ten (10) lots developed. The bylaw provides the option of on-site affordable units, off-site affordable units, off-site land donation, or cash-in-lieu of units. An amendment to provide a density bonus for on-site development of affordable units should be explored.

It is certainly important to provide sufficient incentives to developers to make sure that the incorporation of affordable units will be financially feasible. Incentives also reduce the risk of litigation from developers who claim that the mandatory inclusion of affordable units involves a “taking” of their property rights. In fact inclusionary zoning can be legally vulnerable if requirements make it impossible for the developer to earn a reasonable return on the project as a whole. Consequently, it would be prudent for the Town to add incentives to cover these legal questions and insure that the zoning works economically.

### ***6.2.2 Encourage Mixed-Use Development***

*High Priority: Years 1 and 2*

Some provisions for mixed-use development are already in place as apartments in commercial buildings are allowed by Special Permit in the General Business (GB) zone and are permitted to some extent in the Industrial district. Over the years however, the Town has considered developing an overlay district to better promote mixed residential and commercial development, including multi-family housing, within village areas, also ensuring that some units will be affordable.

In tandem with the Economic Development Committee and Planning Board, the Affordable Housing Committee should pursue appropriate zoning changes to promote this type of development, staffed by the Department of Community Development. There will likely be opportunities to pursue such development as part of the Route 28 corridor visioning process that requires the active participation of the Affordable Housing Committee. Certainly “above the shop” housing has been successful in other communities and there are local precedents.

There are zoning provisions that have been adopted in other communities that offer models on how to integrate housing, including affordable housing, in village centers and other commercial areas. The Town of Yarmouth passed a Village Center Bylaw that would be worth reviewing, and the Metropolitan Area Planning Council (MAPC) has prepared a report entitled, “Mixed Use Zoning: A Planner’s Guide” that can be referenced. Additionally, the Citizen Planner Training Collaborative offers several models including one adopted by the Town of Dennis.

### ***6.2.3 Explore Tax Relief for Year-round Rentals***

*Moderate Priority: Years 3 to 5*

The town should consider modeling a property tax exemption after Provincetown’s policy for exempting landlords from real estate taxes that are rented year-round to eligible tenants at rents that do not exceed HUD limits. This exemption was approved in May 2003 and involves a number of key components including:

- The portion of the property that qualifies under the Program as affordable rental housing is exempt from the property tax. “The amount of the exemption is equal to the tax otherwise due multiplied by the square footage of the units set aside for affordable housing purposes divided by the total square footage of the structure.”<sup>24</sup>
- The exemption is available only to owners of year-round rental property.
- No deed restrictions are required.
- Property owners must apply for the exemption on an annual basis, applying to the Board of Assessors.
- The Town’s Principal Assessor determines eligibility under the Program by reviewing the lease as well as tenants’ income information verified by the previous year’s tax return or a copy of one monthly bank statement showing the electronic transfer of Social Security payments.
- Property owners must have a lease in place for the entire fiscal year, and the lease must conform to income limits for low-income households earning at or below 60% of area median, adjusted for household size and determined annually by HUD. Owners may not charge rents, including utilities, which exceed allowable rent levels for qualifying tenants based on the tenants paying no more than 30% of their income for rent/utilities. If the owner does not pay utilities, then an allowed utility allowance must be subtracted from the allowed rent.

While this exemption would not result in an increase of SHI units, it would still serve a pressing local need for more year-round rental units that are relatively affordable.

### **6.3 Production Strategies**

As noted in Section 3.2.7, given the substantial numbers of residents who are paying too much for their housing and the gaps between the need and supply of existing housing, there is a pressing need to produce more subsidized housing units in Chatham. The major obstacle to meeting these underserved needs is the gap between the level of need and the resources available, which is further exacerbated by the declining economy, lack of decent paying jobs, decreasing state resources available to subsidize housing, increasing poverty, and the ongoing problems associated with the mortgage market.

The Town has been using the following strategies in an effective manner, sometimes in combination, and should continue on this same course in its efforts to produce more affordable units.

#### ***6.3.1 Make Suitable Public Property Available for Affordable Housing***

*High Priority: Years 1 and 2*

As mentioned in Section 4, major obstacles to developing affordable housing in Chatham include the limited availability of developable property, publicly-owned property included.

Nevertheless, Chatham has developed a number of important affordable housing projects on public land including the Lake Street development on a site owned by the Chatham Housing Authority and the MCI units the Town is leasing to the Housing Authority. More recently the Housing Authority acquired a property in West Chatham with support from the Friends of Chatham Affordable Housing (FoCAH) and will build five (5) homes through Habitat for Humanity of Cape Cod. There has also been some discussion about the potential availability of

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<sup>24</sup> Town of Provincetown, FY2007 Affordable Housing Property Tax Exemption for Owners of Affordable Year-round Rental Housing, website [www.provincetowngov.org](http://www.provincetowngov.org).

other municipally owned parcels for affordable housing, Middle Road in particular (see Section 3.2.8).

The Town has made progress in creating an inventory of Town-owned property, land and buildings, and has begun to analyze it for suitable affordable housing development. Once a property is identified, the following tasks should be undertaken prior to development:

1. Survey land and conduct septic capacity analysis to determine maximum number of bedrooms.
2. Prepare guidelines for the development including type of housing, target population, and percentage of affordability, etc.
3. Request the Selectmen to declare the land surplus and authorize its use for affordable housing and obtain Town Meeting approval.
4. Prepare and release a Request for Proposals (RFP) for the development.

The Town may also decide to acquire privately owned sites at some time in the future for the purposes of protecting open space, providing for particular municipal uses, and developing some amount of housing, including affordable housing, through cluster development on a portion of the sites. For example, the towns of Carlisle and Falmouth acquired land for affordable housing development including open space preservation and other public benefits. Like these communities, Chatham could choose to bond CPA funds to cover site acquisition costs. Additional smaller sites may become available as well to build affordable new starter homes, housing for empty nesters, special needs units, or housing for the formerly homeless on an infill basis.

As the Town becomes alert to opportunities for acquiring property that would be suitable for some amount of affordable housing, such properties would ideally meet a number of “smart growth” principals such as:

- The redevelopment of existing structures,
- Infill site development,
- Parcels large enough to accommodate clustered housing, and
- Mixed-use properties in the Town Center, village areas or along commercial corridors.

The Department of Community Development, with input from the Affordable Housing Committee and the oversight of the Board of Selectmen, will continue to work with other Town boards and committees to identify and pursue surplus municipal property or acquire private property for the development of affordable housing.

### ***6.3.2 Promote “Friendly 40B” Development***

*High Priority: Years 1 and 2*

The Massachusetts Comprehensive Permit Law, Chapter 40B Sections 20-23 of the General Laws, was enacted as Chapter 774 of the Acts of 1969 to encourage the construction of affordable housing throughout the state. Often referred to as the Anti-Snob Zoning Act, it requires all communities to use a streamlined review process through the local Zoning Board of Appeals for “comprehensive permits” submitted by developers for projects proposing zoning and other regulatory waivers and incorporating affordable housing for at least 25% of the units if they are occupied by those earning at or below 80% AMI or 20% if the units are targeted to those earning at or below 50% AMI. This type of development is not unfamiliar to the Town of

Chatham as units developed as part of the Lake Street project and the Chatham Housing Opportunity Program (CHOP), plus those recently approved for Levi's Path used the comprehensive permit process through the state's Local Initiative Program (LIP). All units count as affordable in a rental project while only the actual affordable units are counted in homeownership developments.

The Local Initiative Program (LIP) is a technical assistance subsidy program to facilitate Chapter 40B developments and locally produced affordable units. *The Program is often referred to as the "friendly 40B" option as it insures that projects are consistent with sustainable or smart growth development principles as well as local housing needs.* LIP recognizes that there is a critical need for all types of housing but encourages family and special needs housing in particular. Age-restricted housing (over 55) is allowed but the locality must demonstrate actual need and marketability.

In order to meet local needs, production goals and the 10% state affordability threshold, the Town will continue to partner with developers, non-profit and for profit. The "friendly 40B" option will be an important tool for the Town to use in permitting such developments, working in a cooperative spirit with developers. *It should be further noted that up to 70% of the units in a 40B development could be reserved for those who live and work in Chatham, referred to as local preference units.* The process that is required for using LIP for "friendly" comprehensive permit projects is detailed in Appendix 2, Section I.D.

### ***6.3.3 Encourage Special Needs Housing*** *High Priority: Years 1 and 2*

Given the aging of Chatham's residents and significant special needs population, the Town should continue to welcome special needs projects. Chatham has a number of special needs developments that total 38 units. For example, CHA owns and manages the Captain Bearse House that involves a congregate living situation for those seniors and the disabled that require services. CHA also manages two group homes, one that is leased by Fellowship Housing Resources for the Department of Mental Health (DMH) clients and the other for clients of the Department of Developmental Disabilities (DDS). These developments are important but insufficient to meet the community's increasing needs.

## **6.4 Direct Assistance Strategies**

The Town of Chatham has been a pioneer in its creation of special programs that provide important assistance to residents, establishing models that other communities have adopted. Such direct assistance has been important in addressing the local needs of some of the community's most "at risk" residents.

### ***6.4.1 Continue Funding Local Housing Programs*** *High Priority: Years 1 and 2*

The Chatham Housing Authority has been effectively administering a number of programs that have assisted qualifying residents in accessing homeownership and rental opportunities. CPA funding has been particularly important in supporting the following initiatives and should be continued:

- *Chatham Homebuyer Assistance Program (CHAP)*  
The Chatham Housing Authority (CHA) has established a Homebuyer Assistance Program that assists income-eligible, first-time homebuyers with a write-down of the purchase price of up to \$60,000.
- *Chatham Housing Opportunities Program (CHOP)/Resale of Affordable Ownership Units*  
The Chatham Housing Authority has been successful in obtaining state grants and Community Preservation Act funding to write-down the resale price of affordable units to keep them affordable and counteract problems associated with out-of-date deed riders that raised resale prices beyond the means of qualifying purchasers.
- *Rental Voucher Program*  
The Chatham Housing Authority has developed a Voucher Program that offers qualifying households a subsidy for a period of five (5) years that consists of two (2) parts – a shallow rent subsidy of not more than \$350 per month and an automatic contribution to a monthly escrow account, deducted from the rent subsidy, to help them save for homeownership. The CHA determines the amount put in escrow monthly for each eligible participant, which is comparable to an Individual Development Account (IDA), used for the purpose of a down payment should the participant wish to pursue homeownership.

#### ***6.4.2 Help Qualifying Residents Access Housing Assistance***

##### *High Priority: Years 1 and 2*

Some town residents, including seniors living on fixed incomes, are finding it increasingly difficult to afford the costs associated with taxes, energy costs, insurance and home improvements. Additionally, some seniors and those with special needs require handicapped adaptations to help them remain in their homes. Chatham residents might also benefit from technical and financial support in the case of septic failures and Title V compliance issues as well as counseling and workshops related to accessing first-time homeownership and addressing credit or foreclosures problems.

The Community Development Partnership (CDP)<sup>25</sup> used to administer a Housing Rehabilitation Loan Program for Chatham that provided financial and technical assistance to qualifying property owners to make necessary home improvements, but lost program funding. There are, however, other programs available for home repair, upgrading and de-leading. For example, the Housing Assistance Corporation administers or can provide appropriate referrals to the following programs:

- *Get the Lead Out*  
With funding from MassHousing, this Program provides low-cost financing to owners of 1-4 unit properties to remove lead and reduce the possibility of lead poisoning in children.
- *Home Modification Loan Program*  
Offers financial assistance to persons seeking to make modifications to their home to improve accessibility for the physically disabled.
- *Weatherization*  
A federally-funded program to help qualifying property owners make energy-efficient home improvements. Most households that receive fuel assistance also qualify for this program. The organization also provides free energy assessments.

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<sup>25</sup> Formerly called the Lower Cape Cod Community Development Corporation (LCCCDC).

- *HEARTWAP Program*  
An emergency repair program for households receiving fuel assistance that require the repair or replacement of the heating system.
- *Cape Light Compact Efficiency Program*  
Offers energy-saving devices (i.e., light bulbs, water conservation and other devices) and technical assistance to qualifying tenants and homeowners on how to save on their electrical bills. Some participants can also qualify for a free refrigerator, freezer.

Both CDP and HAC also provide first-time buyer workshops, and HAC administers a down payment and closing cost assistance program for first-time homebuyers with HOME Program funding.

Through the community educational campaign recommended in Section 6.1.2, important information on housing improvement and counseling resources could be disseminated to real estate professionals, local organizations and community residents. The Town, through its Council on Aging and Housing Authority, should continue to provide the necessary education and referrals to programs sponsored by the Housing Assistance Corporation, CDP and MassHousing for example, which provide low-cost financing for repair needs including de-leading, septic systems, weatherization and other home improvements. Information on available programs is included in the Appendix 2.

## **APPENDIX 1**

### **Glossary of Housing Terms**

#### **Affordable Housing**

A subjective term, but as used in this Plan, refers to housing available to a household earning no more than 80% of area median income at a cost that is no more than 30% of total household income.

#### **Area Median Income (AMI)**

The estimated median income, adjusted for family size, by metropolitan area (or county in nonmetropolitan areas) that is adjusted by HUD annually and used as the basis of eligibility for most housing assistance programs. Sometimes referred to as “MFI” or median family income.

#### **Chapter 40B**

The state’s comprehensive permit law, enacted in 1969, established an affordable housing goal of 10% for every community. In communities below the 10% goal, developers of low- and moderate-income housing can seek an expedited local review under the comprehensive permit process and can request a limited waiver of local zoning and other restrictions, which hamper construction of affordable housing. Developers can appeal to the state if their application is denied or approved with conditions that render it uneconomic, and the state can overturn the local decision if it finds it unreasonable in light of the need for affordable housing.

#### **Chapter 44B**

The Community Preservation Act Enabling Legislation that allows communities, at local option, to establish a Community Preservation Fund to preserve open space, historic resources and community housing, by imposing a surcharge of up to 3% on local property taxes. The state provides matching funds from its own Community Preservation Trust Fund, generated from an increase in certain Registry of Deeds’ fees.

#### **Comprehensive Permit**

Expedited permitting process for developers building affordable housing under Chapter 40B “anti-snob zoning” law. A comprehensive permit, rather than multiple individual permits from various local boards, is issued by the local zoning boards of appeals to qualifying developers.

#### **Department of Housing and Community Development (DHCD)**

DHCD is the state’s lead agency for housing and community development programs and policy. It oversees state-funded public housing, administers rental assistance programs, provides funds for municipal assistance, and funds a variety of programs to stimulate the development of affordable housing.

#### **Fair Housing Act**

Federal legislation, first enacted in 1968, that provides the Secretary of HUD with investigation and enforcement responsibilities for fair housing practices. It prohibits discrimination in housing and lending based on race, color, religion, sex, national origin, handicap, or familial status. There is also a Massachusetts Fair Housing Act, which extends the prohibition against discrimination to sexual orientation, marital status, ancestry, veteran status, children, and age. The state law also prohibits discrimination against families receiving public assistance or rental subsidies, or because of any requirement of these programs.

**Inclusionary Zoning**

A zoning ordinance or bylaw that requires a developer to include affordable housing as part of a development or contribute to a fund for such housing.

**Infill Development**

The practice of building on vacant or undeveloped parcels in dense areas, especially urban and inner suburban neighborhoods. Promotes compact development, which in turn allows undeveloped land to remain open and green.

**Local Initiative Program (LIP)**

A state program under which communities may use local resources and DHCD technical assistance to develop affordable housing that is eligible for inclusion on the state Subsidized Housing Inventory (SHI). LIP is not a financing program, but the DHCD technical assistance qualifies as a subsidy and enables locally supported developments that do not require other financial subsidies to use the comprehensive permit process. At least 25% of the units must be set-aside as affordable to households earning less than 80% of area median income.

**MassHousing (formerly the Massachusetts Housing Finance Agency, MHFA)**

A quasi-public agency created in 1966 to help finance affordable housing programs. MassHousing sells both tax-exempt and taxable bonds to finance its many single-family and multi-family programs.

**Metropolitan Statistical Area (MSA)**

The term is also used for CMSAs (consolidated metropolitan statistical areas) and PMSAs (primary metropolitan statistical areas) that are geographic units used for defining urban areas that are based largely on commuting patterns. The federal Office of Management and Budget defines these areas for statistical purposes only, but many federal agencies use them for programmatic purposes, including allocating federal funds and determining program eligibility. HUD uses MSAs as its basis for setting income guidelines and fair market rents.

**Mixed-Income Housing Development**

Development that includes housing for various income levels.

**Mixed-Use Development**

Projects that combine different types of development such as residential, commercial, office, industrial and institutional into one project.

**Overlay Zoning**

A zoning district, applied over one or more other districts that contains additional provisions for special features or conditions, such as historic buildings, affordable housing, or wetlands.

**Public Housing Agency (PHA)**

A public entity that operates housing programs: includes state housing agencies (including DHCD), housing finance agencies and local housing authorities. This is a HUD definition that is used to describe the entities that are permitted to receive funds or administer a wide range of HUD programs including public housing and Section 8 rental assistance.

### **Regional Non-Profit Housing Organizations**

Regional non-profit organizations include nine private, non-profit housing agencies, which administer the Section 8 Program on a statewide basis, under contract with DHCD. Each agency serves a wide geographic region. Collectively, they cover the entire state and administer over 15,000 Section 8 vouchers. In addition to administering Section 8 subsidies, they administer state-funded rental assistance (MRVP) in communities without participating local housing authorities. They also develop affordable housing and run housing rehabilitation and weatherization programs, operate homeless shelters, run homeless prevention and first-time homebuyer programs, and offer technical assistance and training programs for communities. The Housing Assistance Corporation (HAC) serves as Chatham's regional non-profit organization.

### **Regional Planning Agencies (RPAs)**

These are public agencies that coordinate planning in each of thirteen regions of the state. They are empowered to undertake studies of resources, problems, and needs of their districts. They provide professional expertise to communities in areas such as master planning, affordable housing and open space planning, and traffic impact studies. In the case of the Cape Cod, Dukes County and Nantucket Commissions, the RPA's are land use regulatory agencies as well as planning agencies. The Cape Cod Commission (CCC) serves as Chatham's regional planning agency.

### **Request for Proposals (RFP)**

A process for soliciting applications for funding when funds are awarded competitively or soliciting proposals from developers as an alternative to lowest-bidder competitive bidding.

### **Section 8**

Refers to the major federal (HUD) program – actually a collection of programs – providing rental assistance to low-income households to help them pay for housing. Participating tenants pay 30% of their income (some pay more) for housing (rent and basic utilities) and the federal subsidy pays the balance of the rent. The Program is now officially called the Housing Choice Voucher Program.

### **Smart Growth**

The term used to refer to a rapidly growing and widespread movement that calls for a more coordinated, environmentally sensitive approach to planning and development. A response to the problems associated with unplanned, unlimited suburban development – or sprawl – smart growth principles call for more efficient land use, compact development patterns, less dependence on the automobile, a range of housing opportunities and choices, and improved jobs/housing balance.

### **Subsidy**

Typically refers to financial assistance that fills the gap between the costs of any affordable housing development and what the occupants can afford based on program eligibility requirements. Many times multiple subsidies from various funding sources are required, often referred to as the "layering" of subsidies, in order to make a project feasible. In the state's Local Initiative Program (LIP), DHCD's technical assistance qualifies as a subsidy and enables locally supported developments that do not require other financial subsidies to use the comprehensive permit process. Also, "internal subsidies" refers to those developments that do not have an external source(s) of funding for affordable housing, but use the value of the market units to "cross subsidize" the affordable ones.

**Subsidized Housing Inventory (SHI)**

This is the official list of units, by municipality, that count toward a community's 10% goal as prescribed by Chapter 40B comprehensive permit law.

**US Department of Housing and Urban Development (HUD)**

The primary federal agency for regulating housing, including fair housing and housing finance. It is also the major federal funding source for affordable housing programs.

## APPENDIX 2 Summary of Housing Regulations and Resources

### I. SUMMARY OF HOUSING REGULATIONS

#### A. Chapter 40B Comprehensive Permit Law

The Massachusetts Comprehensive Permit Law, Chapter 40B Sections 20-23 of the General Laws, was enacted as Chapter 774 of the Acts of 1969 to encourage the construction of affordable housing throughout the state, particularly outside of cities. Often referred to as the Anti-Snob Zoning Act, it requires all communities to use a streamlined review process through the local Zoning Board of Appeals for “comprehensive permits” submitted by developers for projects proposing zoning and other regulatory waivers and incorporating affordable housing for at least 25% of the units. Only one application is submitted to the ZBA instead of separate permit applications that are typically required by a number of local departments as part of the normal development process. Here the ZBA takes the lead and consults with the other relevant departments (e.g., building department, planning department, highway department, fire department, sanitation department, etc.) on a single application. The Conservation Commission retains jurisdiction under the Wetlands Protection Act and Department of Environmental Protection, the Building Inspector applies the state building code, and the Board of Health enforces Title V.

For a development to qualify under Chapter 40B, it must meet all of the following requirements:

- Must be part of a “subsidized” development built by a public agency, non-profit organization, or limited dividend corporation.
- At least 25% of the units in the development must be income restricted to households with incomes at or below 80% of area median income and have rents or sales prices restricted to affordable levels income levels defined each year by the US Department of Housing and Urban Development.
- Affordability restrictions must be in effect in perpetuity unless there is a justification for a shorter term that must be approved by DHCD.
- Development must be subject to a regulatory agreement and monitored by a public agency or non-profit organization.
- Project sponsors must meet affirmative marketing requirements.

According to Chapter 40B regulations, the ZBA decision to deny or place conditions on a comprehensive permit project cannot be appealed by the developer if any of the following conditions are met<sup>26</sup>:

- The community has met the “statutory minima” by having at least 10% of its year-round housing stock affordable as defined by Chapter 40B, at least 1.5% of the community’s land area includes affordable housing as defined again by 40B, or annual affordable housing construction is on at least 0.3% of the community’s land area.
- The community has made “recent progress” adding SHI eligible housing units during the prior 12 months equal at least to 2% of its year-round housing.

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<sup>26</sup> Section 56.03 of the new Chapter 40B regulations.

- The community has a one- or two-year exemption under Planned Production.
- The application is for a “large project” that equals at least 6% of all housing units in a community with less than 2,500 housing units.
- A “related application” for the site was filed, pending or withdrawn within 12 months of the application.

If a municipality does not meet any of the above thresholds, it is susceptible to appeals by comprehensive permit applicants of the ZBA’s decision to the state’s Housing Appeals Committee (HAC). This makes the Town susceptible to a state override of local zoning if a developer chooses to create affordable housing through the Chapter 40B comprehensive permit process.<sup>27</sup> Recently approved regulations add a new requirement that ZBA’s provide early written notice (within 15 days of the opening of the local hearing) to the applicant and to DHCD if they intend to deny or condition the permit based on the grounds listed above that make the application appeal proof, providing documentation for its position. Under these circumstances, municipalities can count projects with approved comprehensive permits that are under legal approval, but not by the ZBA, at the time.

If the applicant appeals the use of these “appeals proof” grounds, DHCD will review materials from the ZBA and applicant and issue a decision within 30 days of receipt of the appeal (failure to issue a decision is a construction approval of the ZBA’s position). Either the ZBA or applicant can appeal DHCD’s decision by filing an interlocutory appeal with the Housing Appeals Committee (HAC) within 20 days of receiving DHCD’s decision. If a ZBA fails to follow this procedure, it waives its right to deny a permit on these “appeal-proof” grounds.

Recent changes to Chapter 40B also address when a community can or cannot count a unit as eligible for inclusion in the SHI including:

- *40R*  
Units receiving zoning approval under 40R count when the permit or approval is filed with the municipal clerk provided that no appeals are filed by the board or when the last appeal is fully resolved, similar to a comprehensive permit project.
- *Certificate of Occupancy*  
Units added to the SHI on the basis of receiving building permits become temporarily ineligible if the C of O is not issued within 18 months.
- *Large Phased Projects*  
If the comprehensive permit approval or zoning approval allows a project to be built in phases and each phase includes at least 150 units and average time between the start of each phase is 15 months or less, then the entire project remains eligible for the SHI as long as the phasing schedule set forth in the permit approval continues to be met.

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<sup>27</sup> Chapter 774 of the Acts of 1969 established the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B) to facilitate the development of affordable housing for low- and moderate-income households (defined as any housing subsidized by the federal or state government under any program to assist in the construction of low- or moderate-income housing for those earning less than 80% of median income) by permitting the state to override local zoning and other restrictions in communities where less than 10% of the year-round housing is subsidized for low- and moderate-income households.

- *Projects with Expired Use Restrictions*  
Units become ineligible for inclusion in the SHI upon expiration or termination of the initial use restriction unless a subsequent use restriction is imposed.
- *Biennial Municipal Reporting*  
Municipalities are responsible for providing the information on units that should be included in the SHI through a statement certified by the chief executive officer.

Towns are allowed to set-aside up to 70% of the affordable units available in a 40B development for those who have a connection to the community as defined under state guidelines including current residents, municipal employees, or employees of businesses located in town. It is also worth noting that the Town, through its Affirmative Fair Housing Marketing Plan, must demonstrate the associated local need for the community preference and insure that there will be no discriminatory impacts with the use of community preference.

While there are ongoing discussions regarding how the state should count the affordable units for the purpose of determining whether a community has met the 10% goal, in a rental project if the subsidy applies to the entire project, all units are counted towards the state standard. For homeownership projects, only the units made affordable to those households earning within 80% of median income can be attributed to the affordable housing inventory.

There are up to three stages in the 40B process – the project eligibility stage, the application stage, and at times the appeals stage. First, the applicant must apply for eligibility of a proposed 40B project/site from a subsidizing agency. Under Chapter 40B, subsidized housing is not limited exclusively to housing receiving direct public subsidies but also applies to privately-financed projects receiving technical assistance from the State through its Local Initiative Program (LIP) or through MassHousing (Housing Starts Program), Federal Home Loan Bank Board (New England Fund), MassDevelopment, and Massachusetts Housing Partnership Fund. The subsidizing agency then forwards the application to the local Board of Selectmen for a 30-day comment period. The Board of Selectmen solicits comments from Town officials and other boards and based on their review the subsidizing agency typically issues a project eligibility letter. Alternatively, a developer may approach the Board of Selectmen for their endorsement of the project, and the Selectmen can submit an application to DHCD for certification under the Local Initiative Program (for more information see description in Section I.E below).

Recent changes to 40B regulations expands the items a subsidizing agency must consider when determining site eligibility including:

- Information provided by the municipality or other parties regarding municipal actions previously taken to meet affordable housing needs, including inclusionary zoning, multi-family districts and 40R overlay zones.
- Whether the conceptual design is appropriate for the site including building massing, topography, environmental resources, and integration into existing development patterns.
- That the land valuation, as included in the pro forma, is consistent with DHCD guidelines regarding cost examination and limitations on profits and distribution.
- Requires that LIP site approval applications be submitted by the municipality's chief executive officer.

- Specifies that members of local boards can attend the site visit conducted during DHCD's 30-day review period.
- Requires that the subsidizing agency provide a copy of its determination of eligibility to DHCD, the chief executive officer of the municipality, the ZBA and the applicant.

If there are substantial changes to a project before the ZBA issues its decision, the subsidizing agency can defer the re-determination of site/project eligibility until the ZBA issues its decision unless the chief executive officer of the municipality or applicant requests otherwise. More recent 40B regulations provide greater detail on this re-determination process. Additionally, challenges to project eligibility determinations can only be made on the grounds that there has been a substantial change to the project that affects project eligibility requirements and leaves resolution of the challenge to the subsidizing agency.

The next stage in the comprehensive permit process is the application phase including pre-hearing activities such as adopting rules before the application is submitted, setting a reasonable filing fee, providing for technical "peer review" fees, establishing a process for selecting technical consultants, and setting forth minimum application submission requirements. Failure to open a public hearing within 30 days of filing an application can result in constructive approval. The public hearing is the most critical part of the whole application process. Here is the chance for the Zoning Board of Appeals' consultants to analyze existing site conditions, advise the ZBA on the capacity of the site to handle the proposed type of development, and to recommend alternative development designs. Here is where the ZBA gets the advice of experts on unfamiliar matters – called peer review. Consistency of the project with local needs is the central principle in the review process.

Another important component of the public hearing process is the project economic analysis that determines whether conditions imposed and waivers denied would render the project "uneconomic". The burden of proof is on the applicant, who must prove that it is impossible to proceed and still realize a reasonable return, which cannot be more than 20%. Another part of the public hearing process is the engineering review. The ZBA directs its consultants to analyze the consistency of the project with local bylaws and regulations and to examine the feasibility of alternative designs.

New Chapter 40B regulations now add a number of requirements related to the hearing process that include:

- The hearing must be terminated within 180 days of the filing of a complete application unless the applicant consents to extend.
- Allows communities already considering three (3) or more comprehensive permit applications to stay a hearing on additional applications if the total units under consideration meet the definition of a large project (larger of 300 units or 2% of housing in communities with 7,500 housing units as of the latest Census, 250 units in communities with 5,001 to 7,499 total units, 200 units in communities with 2,500 to 5,000 units, and 150 units or 10% of housing in communities with less than 2,500 units).
- Local boards can adopt local rules for the conduct of their hearings, but they must obtain an opinion from DHCD that these rules are consistent with Chapter 40B.
- Local boards cannot impose "unreasonable or unnecessary" time or cost burdens on an applicant and cannot require an applicant to pay legal fees for general representation of the

ZBA or other boards. The new requirements go into the basis of the fees in more detail, but as a general rule the ZBA may not assess any fee greater than the amount that might be appropriated from town or city funds to review a project of a similar type and scale.

- An applicant can appeal the selection of a consultant within 20 days of the selection on the grounds that the consultant has a conflict of interest or lacks minimum required qualifications.
- Specifies and limits the circumstances under which ZBA's can review pro formas.
- Zoning waivers are only required under "as of right" requirements, not from special permit requirements.
- Forbids ZBA's from imposing conditions that deviate from the project eligibility requirements or that would require the project to provide more affordable units than the minimum threshold required by DHCD guidelines.
- States that ZBA's cannot delay or deny an application because a state or federal approval has not been obtained.
- Adds new language regarding what constitutes an uneconomic condition including requiring applicants to pay for off-site public infrastructure or improvements if they involve pre-existing conditions, are not usually imposed on unsubsidized housing or are disproportionate to the impacts of the proposed development or require a reduction in the number of units other than on a basis of legitimate local concerns (health, safety, environment, design, etc.). Also states that a condition shall not be considered uneconomic if it would remove or modify a proposed nonresidential element of a project that is not allowed by right.

After the public hearing is closed, the ZBA must set-aside at least two sessions for deliberations within 40 days of the close of the hearing. These deliberations can result in either approval, approval with conditions, or denial.

Subsidizing agencies are required to issue final project eligibility approvals following approval of the comprehensive permit reconfirming project eligibility, including financial feasibility, and approving the proposed use restriction and finding that the applicant has committed to complying with cost examination requirements. New Chapter 40B regulations set forth the basic parameters for insuring that profit limitations are enforced, while leaving the definition of "reasonable return" to the subsidizing agency in accordance with DHCD guidelines. The applicant or subsequent developer must submit a detailed financial statement, prepared by a certified public accountant, to the subsidizing agency in a form and upon a schedule determined by the DHCD guidelines.

If the process heads into the third stage – the appeals process – the burden is on the ZBA to demonstrate that the denial is consistent with local needs, meaning the public health and safety and environmental concerns outweigh the regional need for housing. If a local ZBA denies the permit, a state Housing Appeals Committee (HAC) can overrule the local decision if less than 10% of the locality's year round housing stock has been subsidized for households earning less than 80% of median income, if the locality cannot demonstrate health and safety reasons for the denial that cannot be mitigated, or if the community has not met housing production goals based on an approved plan or other statutory minima listed above. The HAC has upheld the developer in the vast majority of the cases, but in most instances promotes negotiation and compromise between the developer and locality. In its 30-year history, only a handful of denials have been upheld on appeal. The HAC cannot issue a permit, but may only order the ZBA to issue one. Also, any aggrieved person, except the applicant, may appeal to the Superior Court or Land Court, but even for abutters, establishing "standing" in court is an uphill battle.

Appeals from approvals are often filed to force a delay in commencing a project, but the appeal must demonstrate “legal error” in the decision of the ZBA or HAC.

## **B. Housing Production Regulations**

As part of the Chapter 40B comprehensive permit regulations, the Massachusetts Department of Housing and Community Development (DHCD) is administering the Housing Production Program in accordance with regulations that enable cities and towns to do the following:

- Prepare and adopt an Housing Production Plan that demonstrates production of an increase of .05% over one year or 1.0% over two-years of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory (17 units and 35 units, respectively, for Chatham) for *approval* by DHCD.<sup>28</sup>
- Request *certification* of compliance with the plan by demonstrating production of at least the number of units indicated above.
- Through local ZBA action, deny a comprehensive permit application during the period of certified compliance, which is 12 months following submission of the certification documentation to DHCD, or 24 months if the 1.0% threshold is met.

For the plan to be acceptable to DHCD it must meet the following requirements:

- Include a comprehensive housing needs assessment to establish the context for municipal action based on the most recent census data. The assessment must include a discussion of municipal infrastructure based on future planned improvements.
- Address a mix of housing consistent with identified needs and market conditions.
- Address the following strategies including -
  - Identification of geographic areas in which land use regulations will be modified to accomplish affordable housing production goals.
  - Identification of specific sites on which comprehensive permit applications will be encouraged.
  - Preferable characteristics of residential development such as infill housing, clustered areas, and compact development.
  - Municipally owned parcels for which development proposals will be sought.
  - Participation in regional collaborations addressing housing development.

Plans must be adopted by the Board of Selectmen and Planning Board, and the term of an approved plan is five (5) years.

## **C. Chapter 40R/40S**

In 2004, the State Legislature approved a new zoning tool for communities in recognition that escalating housing prices, now beyond the reach of increasing numbers of state residents, are causing graduates from area institutions of higher learning to relocate to other areas of the country in search of greater affordability. The Commonwealth Housing Task Force, in concert with other organizations and institutions, developed a series of recommendations, most of which were enacted by the State Legislature as Chapter 40R of the Massachusetts General Laws. The key components of these regulations are that “the state provide financial and other incentives to local communities that pass Smart Growth Overlay Zoning Districts that allow the building of single-family homes on smaller lots and

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<sup>28</sup> Massachusetts General Law Chapter 40B, 760 CMR 31.07 (1)(i).

the construction of apartments for families at all income levels, and the state increase its commitment to fund affordable housing for families of low and moderate income".<sup>29</sup>

The statute defines 40R as "a principle of land development that emphasizes mixing land uses, increases the availability of affordable housing by creating a range of housing opportunities in neighborhoods, takes advantage of compact design, fosters distinctive and attractive communities, preserves opens space, farmland, natural beauty and critical environmental areas, strengthens existing communities, provides a variety of transportation choices, makes development decisions predictable, fair and cost effective and encourages community and stakeholder collaboration in development decisions."<sup>30</sup> The key components of 40R include:

- Allows local option to adopt Overlay Districts near transit, areas of concentrated development, commercial districts, rural village districts, and other suitable locations;
- Allows "as-of-right" residential development of minimum allowable densities;
- Provides that 20% of the units be affordable;
- Promotes mixed-use and infill development;
- Provides two types of payments to municipalities; and
- Encourages open space and protects historic districts.

The incentives prescribed by the Task Force and passed by the Legislature include an incentive payment upon the passage of the Overlay District based on the number of projected housing units as follows:

<b>Incentive Units</b>	<b>Payments</b>
Up to 20	\$10,000
21-100	\$75,000
101-200	\$200,000
210-500	\$350,000
501 or more	\$600,000

There are also density bonus payments of \$3,000 for each residential unit issued a building permit. To be eligible for these incentives the Overlay Districts need to allow mixed-use development and densities of 20 units per acre for apartment buildings, 12 units per acre for two and three-family homes, and at least eight units per acre for single-family homes. Communities with populations of less than 10,000 residents are eligible for a waiver of these density requirements, however significant hardship must be demonstrated. The Zoning Districts would also encourage housing development on vacant infill lots and in underutilized nonresidential buildings. The Task Force emphasizes that Planning Boards, which would prepare the Zoning Districts bylaw (ordinance) for town meeting (city council) enactment, would be "able to ensure that what is built in the District is compatible with and reflects the character of the immediate neighborhood."<sup>31</sup>

The principal benefits of 40R include:

<sup>29</sup> Edward Carman, Barry Bluestone, and Eleanor White for The Commonwealth Housing Task Force, "A Housing Strategy for Smart Growth and Economic Development: Executive Summary", October 30, 2003, p. 3.

<sup>30</sup> Massachusetts General Law, Chapter 40R, Section 11.

<sup>31</sup> "A Housing Strategy for Smart Growth and Economic Development: Executive Summary," p. 4.

- Expands a community's planning efforts;
- Allows communities to address housing needs;
- Allows communities to direct growth;
- Can help communities meet planned production goals and 10% threshold under Chapter 40B;
- Can help identify preferred locations for 40B developments; and
- State incentive payments.

The formal steps involved in creating Overlay Districts are as follows:

- The Town holds a public hearing as to whether to adopt an Overlay District per the requirements of 40R;
- The Town applies to DHCD prior to adopting the new zoning;
- DHCD reviews the application and issues a Letter of Eligibility if the new zoning satisfies the requirements of 40R;
- The Town adopts the new zoning through a two-thirds vote of Town Meeting subject to any modifications required by DHCD;
- The Town submits evidence of approval to DHCD upon the adoption of the new zoning; and
- DHCD issues a letter of approval, which indicates the number of incentive units and the amount of payment.

The state recently enacted Chapter 40S under the Massachusetts General Law that provides additional benefits through insurance to towns that build affordable housing under 40R that they would not be saddled with the extra school costs caused by school-aged children who might move into this new housing. This funding was initially included as part of 40R but was eliminated during the final stages of approval. In effect, 40S is a complimentary insurance plan for communities concerned about the impacts of a possible net increase in school costs due to new housing development.

#### **D. Local Initiative Program (LIP) Guidelines**

The Local Initiative Program (LIP) is a technical assistance subsidy program to facilitate Chapter 40B developments and locally produced affordable units. The general requirements of LIP include insuring that projects are consistent with sustainable or smart growth development principles as well as local housing needs. LIP recognizes that there is a critical need for all types of housing but encourages family and special needs housing in particular. Age-restricted housing (over 55) is allowed but the locality must demonstrate actual need and marketability. DHCD has the discretion to withhold approval of age-restricted housing if other such housing units within the community remain unbuilt or unsold or if the age-restricted units are unresponsive to the need for family housing within the context of other recent local housing efforts.

There are two types of LIP projects, those using the comprehensive permit process, the so-called "friendly" 40B's, and Local Action Units, units where affordability is a result of some local action such as inclusionary zoning, Community Preservation funding, other regulatory requirements, etc.

Specific LIP requirements include the following by category:

### *Income and Assets*

- Must be affordable to those earning at or below 80% of area median income adjusted by family size and annually by HUD. Applicants for affordable units must meet the program income limits in effect at the time they apply for the unit and must continue to meet income limits in effect when they actually purchase a unit.
- For homeownership units, the household may not have owned a home within the past three years except for age-restricted “over 55” housing.
- For homeownership projects, assets may not be greater than \$75,000 except for age-restricted housing where the net equity from the ownership of a previous house cannot be more than \$200,000.
- Income and asset limits determine eligibility for lottery participation.

### *Allowable Sales Prices and Rents<sup>32</sup>*

- Rents are calculated at what is affordable to a household earning 80% of area median income adjusted for family size, assuming they pay no more than 30% of their income on housing. Housing costs include rent and payments for heat, hot water, cooking fuel, and electric. If there is no municipal trash collection a trash removal allowance should be included. If utilities are separately metered and paid by the tenant, the LIP rent is reduced based on the area’s utility allowance. Indicate on the DHCD application whether the proposed rent has been determined with the use of utility allowances for some or all utilities.
- Sales prices of LIP units are set so a household earning 70% of area median income would have to pay no more than 30% of their income for housing. Housing costs include mortgage principal and interest on a 30-year fixed term mortgage at 95% of purchase price, property taxes, condo fees<sup>33</sup>, private mortgage insurance (if putting less than 20% of purchase price down), and hazard insurance.
- The initial maximum sales price or rent is calculated as affordable to a household with a number of household members equal to the number of bedrooms plus one (for example a two-bedroom unit would be priced based on what a three-person household could afford).

### *Allowable Financing and Costs*

- Allowable development costs include the “as is” value of the property based on existing zoning at the time of application for a project eligibility letter (initial application to DHCD). Carrying costs (i.e., property taxes, property insurance, interest payments on acquisitions financing, etc.) can be no more than 20% of the “as is” market value unless the carrying period exceeds 24 months.

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<sup>32</sup> DHCD has an electronic mechanism for calculating maximum sales prices on its website at [www.mass.gov/dhcd](http://www.mass.gov/dhcd).

<sup>33</sup> DHCD will review condo fee estimates and approve a maximum condo fee as part of the calculation of maximum sales price. The percentage interests assigned to the condo must conform to the approved condo fees and require a lower percentage interest assigned to the affordable units as opposed to the market rate ones. DHCD must review the Schedule of Beneficial Interests in the Master Deed to confirm that LIP units have been assigned percentage interests that correspond to the condo fees.

Reasonable carrying costs must be verified by the submission of documentation not within the exclusive control of the applicant.

- Appraisals are required except for small projects of 20 units or less at the request of the Board of Selectmen where the applicant for the LIP comprehensive permit submits satisfactory evidence of value.
- Profits are limited to no more than 20% of total allowable development costs in homeownership projects.
- In regard to rental developments, payment of fees and profits are limited to no more than 10% of total development costs net of profits and fees and any working capital or reserves intended for property operations. Beginning upon initial occupancy and then proceeding on an annual basis, annual dividend distributions will be limited to no more than 10% of the owner's equity in the project. Owner's equity is the difference between the appraised as-built value and the sum of any public equity and secured debt on the property.
- For LIP comprehensive permit projects, DHCD requires all developers to post a bond (or a letter of credit) with the municipality to guarantee the developer's obligations to provide a satisfactory cost certification upon completion of construction and to have any excess profits, beyond what is allowed, revert back to the municipality. The bond is discharged after DHCD has determined that the developer has appropriately complied with the profit limitations.
- No third party mortgages are allowed for homeownership units.

#### *Marketing and Outreach*

- Marketing and outreach, including lottery administration must adhere to all Fair Housing laws and the state's Affirmative Fair Housing Marketing Plan Guidelines.
- LIP requires that the lottery draw and rank households by size.
- If there are proportionately less minority applicants in the community preference pool than the proportion in the region, a preliminary lottery must be held to boost, if possible, the proportion of minority applicants to this regional level.
- A maximum of up to 70% of the units may be local preference units for those who have a connection to the community as defined by the state under Section III.C of the Comprehensive Permit Guidelines.
- The Marketing Plan must affirmatively provide outreach to area minority communities to notify them about availability of the unit(s) and must demonstrate the need for local preference as well as insure that there will be no discriminatory impacts as a result of using local preference criteria.
- Marketing materials must be available/application process open for a period of at least 60 days.
- Marketing should begin about six (6) months before occupancy.
- Lottery must be held unless there are no more qualified applicants than units available.

#### *Regulatory Requirements*

- The affordable units design, type, size, etc. must be the same as the market units and dispersed throughout the development.

- Units developed through LIP as affordable must be undistinguishable from market units as viewed from the exterior (unless the project has a DHCD-approved alternative development plan that is only granted under exceptional circumstances) and contain complete living facilities.
- For over 55 projects, only one household member must be 55 or older.
- Household size relationship to unit size is based on “households” = number of bedrooms plus one – i.e., a four-person household in a three-bedroom unit (important also for calculating purchase prices of the affordable units for which LIP has a formula as noted above).
- Must have deed restrictions in effect in perpetuity unless the applicant or municipality can justify a shorter term to DHCD.
- Deed restriction must be for a term of at least 15 years for housing rehabilitation.
- All affordable units for families must have at least two or more bedrooms and meet state sanitary codes and these minimum requirements –

1 bedroom – 700 square feet/1 bath  
 2 bedrooms – 900 square feet/1 bath  
 3 bedrooms – 1,200 square feet/ 1 ½ baths  
 4 bedrooms – 1,400 square feet/2 baths

- Appraisals may take into account the probability of obtaining a variance, special permit or other zoning relief but must exclude any value relating to the possible issuance of a comprehensive permit.

The process that is required for using LIP for 40B developments – “friendly” comprehensive permit projects – is largely developer driven. It is based on the understanding that the developer and Town are working together on a project that meets community needs. Minimum requirements include:

1. Written support of the municipality’s chief elected official, the Board of Selectmen in the case of towns, and the local housing partnership, trust or other designated local housing entity, if applicable. The chief executive officer is in fact required to submit the application to DHCD.
2. At least 25% of the units must be affordable and occupied by households earning at or below 80% of area median income or at least 20% of units restricted to households at or below 50% of area median income.
3. Affordability restrictions must be in effect in perpetuity, to be monitored by DHCD through a recorded regulatory agreement.
4. Project sponsors must prepare and execute an affirmative fair marketing plan that must be approved by DHCD.
5. Developer’s profits are restricted per Chapter 40B requirements.

The process that is required for using LIP for 40B developments – “friendly” comprehensive permit projects – is as follows:

1. Application process

- Developer meets with Town
  - Developer and Town agree to proposal
  - Town chief elected officer submits application to DHCD with developer's input
2. DHCD review involves the consideration of:
    - Sustainable development criteria (redevelop first, concentrate development, be fair, restore and enhance the environment, conserve natural resources, expand housing opportunities, provide transportation choice, increase job opportunities, foster sustainable businesses, and plan regionally),
    - Number and type of units,
    - Pricing of units to be affordable to households earning no more than 70% of area median income,
    - Affirmative marketing plan,
    - Financing, and
    - Site visit.
  3. DHCD issues site eligibility letter that enables the developer to bring the proposal to the ZBA for processing the comprehensive permit.
  4. Zoning Board of Appeals holds hearing
    - Developer and Town sign regulatory agreement to guarantee production of affordable units that includes the price of units and deed restriction in the case of homeownership and limits on rent increases if a rental project. The deed restriction limits the profit upon resale and requires that the units be sold to another buyer meeting affordability criteria.
    - Developer forms a limited dividend corporation that limits profits.
    - The developer and Town sign a regulatory agreement.
  5. Marketing
    - Marketing plan must provide outreach to area minority communities to notify them about availability of the unit(s).
    - Local preference is limited to those who live/work in the community with a maximum of 70% of the affordable units.
    - Marketing materials must be available/application process open for a period of at least 60 days.
    - Lottery must be held.
  6. DHCD approval must include
    - Marketing plan, lottery application, and lottery explanatory materials
    - Regulatory agreement (DHCD is a signatory)
    - Deed rider (Use standard LIP document)
    - Purchase arrangements for each buyer including signed mortgage commitment, signed purchase and sale agreement and contact information of purchaser's closing attorney.

As mentioned above, in addition to being used for "friendly" 40B projects, LIP can be used for counting those affordable units as part of a Town's Subsidized Housing Inventory that are created as a result of some local action. Following occupancy of the units, a Local Action Units application must be submitted to DHCD for the units to be counted as affordable. This application is on DHCD's web site.

The contact person at DHCD is Janice Lesniak of the LIP staff (phone: 617-573-1309; fax: 617-573-1330; email: [janice.lesniak@state.ma.us](mailto:janice.lesniak@state.ma.us)). For legal questions contact Elsa Campbell, Housing Specialist (phone: 617-573-1321; fax: 617-573-1330; email: [elsa.campbell@state.ma.us](mailto:elsa.campbell@state.ma.us)).

#### **E. MassWorks Infrastructure Program**

The MassWorks Infrastructure Program provides a one-stop shop for municipalities and other eligible public entities seeking public infrastructure funding to support economic development and job creation. The Program represents an administrative consolidation of six former grant programs:

- Public Works Economic Development (PWED)
- Community Development Action Grant (CDAG)
- Growth Districts Initiative (GDI) Grant Program
- Massachusetts Opportunity Relocation and Expansion Program (MORE)
- Small Town Rural Assistance Program (STRAP)
- Transit Oriented Development (TOD) Program

The MassWorks Infrastructure Program provides a one-stop shop for municipalities and other eligible public entities seeking public infrastructure funding to support:

- Economic development and job creation and retention
- Housing development at density of at least 4 units to the acre (both market and affordable units)
- Transportation improvements to enhancing safety in small, rural communities

The MassWorks Infrastructure Program is administered by the Executive Office of Housing and Economic Development, in cooperation with the Department of Transportation and Executive Office for Administration & Finance.

## **II. SUMMARY OF HOUSING RESOURCES**

Those programs that may be most appropriate to development activity in Chatham are described below.<sup>34</sup>

### **A. Technical Assistance**

#### **1. *Priority Development Fund*<sup>35</sup>**

A relatively new state-funded initiative, the Priority Development Fund, provides planning assistance to municipalities for housing production. In June 2004, DHCD began making \$3 million available through this Fund on a first-come, first-served basis to encourage the new production of housing, especially mixed-income rental housing. PDF assistance supports a broad range of activities to help communities produce housing. Applications must demonstrate the community's serious long-term commitment and

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<sup>34</sup> Program information was gathered through agency brochures, agency program guidelines and application materials as well as the following resources: Verrilli, Ann. Housing Guidebook for Massachusetts. Produced by the Citizen's Housing and Planning Association, June 1999.

<sup>35</sup> Description taken from the state's program description.

willingness to increase its housing supply in ways that are consistent with the Commonwealth's principles of sustainable development.

Eligible activities include community initiated activities and implementation activities associated with the production of housing on specific sites. Funding in support of the Compact Neighborhoods Program has recently been added.

Zoning activities that support the program objectives include:

- Incentive zoning provisions to increase underlying housing density;
- Smart Growth Zoning Overlay Districts including Compact Neighborhoods zones;
- Inter- and intra-municipal Transferable Development Rights proposals;
- Zoning that promotes compact housing and development such as by right multi-family housing, accessory apartment units, clustered development, and inclusionary zoning;
- Zoning provisions authorizing live-and-work units, housing units for seasonal employees, mixed assisted living facilities and the conversion of large single-family structures, vacant mills, industrial buildings, commercial space, a school or other similar facilities, into multi-family developments; and
- Other innovative zoning approaches developed by and for an individual community.

Education, planning and outreach efforts that support the program objectives include:

- Establishment of a local or regional affordable housing trust;
- Development of a plan of action for housing activities that will be undertaken with Community Preservation Act funds;
- Development of Housing Production Plans; and
- Efforts to build local support (grass-root education) necessary to achieve consensus or approval of local zoning initiatives.

Implementation activities associated with the production of housing in site-specific areas include but are not limited to:

- Identification of properties, site evaluation, land assembly and financial feasibility analysis; and
- Development of a Request for Proposal (RFP) for the disposition of land.

The PDF assistance is not available to serve as a substitute for pre-development assessment of alternative development scenarios for parcels already controlled by an identified private developer or to supplant municipal funds to pay staff salaries.

Eligible applicants consist of cities and towns within the Commonwealth. Municipalities may enter into third party agreements with consultants approved by DHCD, however only a municipality will be allowed to enter into a contract with MassHousing regarding the distribution of funds. Municipalities will be responsible for attesting that all funds have been expended for their intended purposes.

Joint applications involving two or more communities within a region or with similar housing challenges are strongly encouraged as a way to leverage limited resources, however, one municipality will be required to serve as the lead.

MassHousing and DHCD reserve the right to screen applications and to coordinate requests from communities seeking similar services. For example, rural communities may be more effectively served

by an application for a shared consultant who can work with numerous towns to address zoning challenges that enhance housing production. Likewise, it may be more effective to support an application for a consultant to review model zoning bylaws or overlay districts with a number of interested communities with follow-up at the community level to support grassroots education, than it is to support the separate development of numerous zoning bylaws. Communities submitting multiple applications must prioritize their applications.

In exchange for the assistance, municipalities must agree to share the end product of the funded activities with DHCD and MassHousing and with other communities in the Commonwealth through reports, meetings, workshops, and to highlight these activities in print, on the web or other media outlets.

The agencies will focus the evaluation of applications to determine overall consistency with program goals and the principles of sustainable development. Applications will be evaluated based on:

- Eligibility of activity;
- Public support;
- Demonstrated need for funds;
- Likelihood activity will result in production of housing;
- Reasonableness of the timeline;
- Readiness to proceed with proposed project;
- Capacity to undertake activity;
- Cost estimates and understanding of the proposed project cost;
- Proposed activity having clearly defined benefits that will result in the production of housing; and
- Benefits being realized within a 2-3 year-timeframe.

Applications for funding will be accepted and evaluated on a rolling review basis. In order to deploy this assistance as effectively and efficiently as possible, or in the event the planning funds are oversubscribed, communities that have relatively greater planning capacity and/or resources may be requested to provide some matching funds. Additional consideration and flexibility for the assistance will be made for communities with little or no planning staff capacity or resources.

Communities may apply to DHCD for assistance of up to \$50,000. The amount of funds awarded will be a reflection of the anticipated impact on housing production. DHCD and MassHousing reserve the right to designate proposals as "Initiatives of Exceptional Merit," in order to increase the amount of assistance and scope of services for certain projects.

## ***2. Peer-to-Peer Technical Assistance***

This state program utilizes the expertise and experience of local officials from one community to provide assistance to officials in another comparable community to share skills and knowledge on short-term problem solving or technical assistance projects related to community development and capacity building. Funding is provided through the Community Development Block Grant Program and is limited to grants of no more than \$1,000, providing up to 30 hours of technical assistance.

Applications are accepted on a continuous basis, but funding is limited (contact is Karl McLaurin at DHCD). To apply, a municipality must provide DHCD with a brief written description of the problem or

issue, the technical assistance needed and documentation of a vote of the Board of Selectmen or letter from the Town Administrator supporting the request for a peer. Communities may propose a local official from another community to serve as the peer or ask DHCD for a referral. If DHCD approves the request and once the peer is recruited, DHCD will enter into a contract for services with the municipality. When the work is completed to the municipality's satisfaction, the Town must prepare a final report, submit it to DHCD, and request reimbursement for the peer.

### ***3. MHP Intensive Community Support Team***

The Massachusetts Housing Partnership Fund is a quasi-public agency that offers a wide range of technical and financial resources to support affordable housing. The Intensive Community Support Team provides sustained, in-depth assistance to support the development of affordable housing. Focusing on housing production, the Team helps local advocates move a project from the conceptual phase through construction, bringing expertise and shared lessons from other parts of the state. The team can also provide guidance on project finance. Those communities, which are interested in this initiative, should contact the MHP Fund directly for more information. (Contact MHP's Community Housing Initiatives Team at 617-330-9944 ext. 227.)

### ***4. MHP Chapter 40B Technical Assistance Program***

Working with DHCD, MHP launched this program in 1999 to provide technical assistance to those communities needing assistance in reviewing comprehensive permit applications. The Program offers up to \$10,000 in third-party technical assistance to enable communities to hire consultants to help them review Chapter 40B applications. Those communities that are interested in this initiative should contact the MHP Fund directly for more information.

MHP recently announced new guidelines to help cities and towns review housing development proposals under Chapter 40B including:

- State housing agencies will now appraise and establish the land value of 40B sites before issuing project eligibility letters.
- State will put standards in place for determining when permit conditions make a 40B development "uneconomic".
- There will be set guidelines on determining related-party transactions, i.e., when a developer may also have a role as contractor or realtor.
- Advice on how to identify the most important issues early and communicate them to the developer, how informal work sessions can be effective, and how to make decisions that are unlikely to be overturned in court.

(Contact MHP's Community Housing Initiatives Team at 617-330-9944 ext. 227)

## **B. Housing Development**

While comprehensive permits typically do not involve external public subsidies but use internal subsidies by which the market units in fact subsidize the affordable ones, communities are finding that they also require public subsidies to cover the costs of affordable or mixed-income residential development and need to access a range of programs through the state and federal government and other financial institutions to accomplish their objectives and meet affordable housing goals. Because the costs of development are typically significantly higher than the rents or purchase prices that low- and moderate-income tenants can afford, multiple layers of subsidies are often required to fill the gaps. Sometimes even Chapter 40B developments are finding it useful to apply for external subsidies to

increase the numbers of affordable units, to target units to lower income or special needs populations, or to fill gaps that market rates cannot fully cover.

The state requires applicants to submit a One Stop Application for its rental subsidy programs in an effort to standardize the application process across agencies and programs. A Notice of Funding Availability (NOFA) is issued by the state usually twice annually for its rental programs and homeownership initiatives. Using the One Stop Application, applicants can apply to several programs simultaneously to support the funding needs of a particular project.

### *1. HOME Program*

HUD created the HOME Program in 1990 to provide grants to states, larger cities and consortia of smaller cities and towns to do the following:

- Produce rental housing;
- Provide rehabilitation loans and grants, including lead paint removal and accessibility modifications, for rental and owner-occupied properties;
- Offer tenant-based rental assistance (two-year subsidies); and/or
- Assist first-time homeowners.

The HOME Program funding is targeted to homebuyers or homeowners earning no more than 80% of median income and to rental units where at least 90% of the units must be affordable and occupied by households earning no more than 60% of median income, the balance to those earning within 80% of median. Moreover, for those rental projects with five or more units, at least 20% of the units must be reserved for households earning less than 50% of median income. In addition to income guidelines, the HOME Program specifies the need for deed restrictions, resale requirements, and maximum sales prices or rentals.

Because Chatham is not an entitlement community, meaning that it is not automatically entitled to receive HOME funding based on HUD's funding formula, but can apply to the Barnstable County HOME Consortium administered by the Cape Cod Commission. Chatham received \$100,000 in HOME funding for its Lake Street project as well as \$17,611 in downpayment and closing costs funding, and \$22,637 in Rehab Program funding.

The HOME Rental Program is targeted to the acquisition and rehabilitation of multi-family distressed properties or new construction of multi-family rental housing from five to fifty units. Once again, the maximum subsidy per project is \$750,000 and the maximum subsidy per unit in localities that receive HOME or CDBG funds directly from HUD is \$50,000 (these communities should also include a commitment of local funds in the project). Subsidies are in the form of deferred loans at 0% interest for 30 years. State HOME funding cannot be combined with another state subsidy program with several exceptions including the Low Income Housing Tax Credits, HIF and the Soft Second Program.

### *2. Community Development Block Grant Program (CDBG)*

In addition to funding for the Peer-to-Peer Program mentioned in the above section, there are other housing resources supported by federal CDBG funds that are distributed by formula to Massachusetts.

The **Massachusetts Small Cities Program** that has a set-aside of Community Development Block Grant (CDBG) funds to support a range of eligible activities including housing development. However, at least

70% of the money must provide benefits to households earning within 80% of median income. This money is for those nonentitlement localities that do not receive CDBG funds directly from HUD. Funds are awarded on a competitive basis through Notices of Funding Availability with specific due dates or through applications reviewed on a rolling basis throughout the year, depending on the specific program. This funding supports a variety of specific programs.

There are other programs funded through the Community Development Block Grant Small Cities Program for both homeownership and rental projects. A number of the special initiatives are directed to communities with high "statistical community-wide needs", however, the **Community Development Fund II** is targeted to communities with lower needs scores that have not received CDBG funds in recent years. DHCD also has a **Reserve Fund** for CDBG-eligible projects that did not receive funding from other CDBG funded programs or for innovative projects.

### *3. Housing Stabilization Fund (HSF)*

The state's Housing Stabilization Fund (HSF) was established in 1993 through a Housing Bond bill to support housing rehabilitation through a variety of housing activities including homeownership (most of this funding has been allocated for the MHP Soft Second Program) and rental project development. The state subsequently issued additional bond bills to provide more funding. The HSF Rehabilitation Initiative is targeted to households with incomes within 80% of median income, with resale or subsequent tenancy for households within 100% of median income. The funds can be used for grants or loans through state and local agencies, housing authorities and community development corporations with the ability to subcontract to other entities. The funds have been used to match local HOME program funding, to fund demolition, and to support the acquisition and rehabilitation of affordable housing. In addition to a program directed to the rehabilitation of abandoned, distressed or foreclosed properties, the HSF provides funds to municipalities for local revitalization programs directed to the creation or preservation of rental projects. As with HOME, the maximum amount available per project is \$750,000 and the maximum per unit is \$65,000 for communities that do not receive HOME or CDBG funds directly from HUD, and \$50,000 for those that do. Communities can apply for HSF funding biannually through the One Stop Application.

### *4. Low Income Housing Tax Credit Program*

The Low Income Housing Tax Credit Program was created in 1986 by the Federal Government to offer tax credits to investors in housing development projects that include some low-income units. The tax credit program is often the centerpiece program in any affordable rental project because it brings in valuable equity funds. Tax credits are either for 4% or 9% of the development or rehab costs for each affordable unit for a ten-year period. The 4% credits have a present value of 30% of the development costs, except for the costs of land, and the 9% credit have a present value equal to 70% of the costs of developing the affordable units, with the exception of land. Both the 4% and 9% credits can be sold to investors for close to their present values.

The Federal Government limits the 9% credits and consequently there is some competition for them, nevertheless, most tax credit projects in Massachusetts are financed through the 9% credit. Private investors, such as banks or corporations, purchase the tax credits for about 80 cents on the dollar, and their money serves as equity in a project, reducing the amount of the debt service and consequently the rents. The program mandates that at least 20% of the units must be made affordable to households earning within 50% of median income or 40% of the units must be affordable to households earning up

to 60% of median income. Those projects that receive the 9% tax credits must produce much higher percentages of affordable units.

The Massachusetts Legislature has enacted a comparable state tax credit program, modeled after the federal tax credit program. The One Stop Application is also used to apply for this source of funding.

#### ***5. Affordable Housing Trust Fund***

The Affordable Housing Trust Fund (AHTF) was established by an act of the State Legislature and is codified under Chapter 121-D of the Massachusetts General Laws. The AHTF operates out of DHCD and is administered by MassHousing with guidance provided by an Advisory Committee of housing advocates. The purpose of the fund is to support the creation/preservation of housing that is affordable to people with incomes that do not exceed 110% of the area median income. The AHTF can be used to support the acquisition, development and/or preservation of affordable housing units. AHTF assistance can include:

- Deferred payment loans, low/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.
- Matching funds for employer-based housing and capital grants for public housing.

Funds can be used to build or renovate new affordable housing, preserve the affordability of subsidized expiring use housing, and renovate public housing. While the fund has the flexibility of serving households with incomes up to 110%, preferences for funding will be directed to projects involving the production of new affordable units for families earning below 80% of median income. The program also includes a set-aside for projects that serve homeless households or those earning below 30% of median income. Once again, the One Stop Application is used to apply for funding, typically through the availability of two funding rounds per year.

#### ***6. Housing Innovations Fund (HIF)***

The state also administers the Housing Innovations Fund (HIF) that was created by a 1987 bond bill and expanded under two subsequent bond bills to provide a 5% deferred loan to non-profit organizations for no more than \$500,000 per project or up to 30% of the costs associated with developing alternative forms of housing including limited equity coops, mutual housing, single-room occupancy housing, special needs housing, transitional housing, domestic violence shelters and congregate housing. At least 25% of the units must be reserved for households earning less than 80% of median income and another 25% for those earning within 50% of area median income. HIF can also be used with other state subsidy programs including HOME, HSF and Low Income Housing Tax Credits. The Community Economic Development Assistance Corporation (CEDAC) administers this program. Applicants are required to complete the One-Stop Application.

#### ***7. Federal Home Loan Bank Board's Affordable Housing Program (AHP)***

Another potential source of funding for both homeownership and rental projects is the Federal Home Loan Bank Board's Affordable Housing Program (AHP) that provides subsidies to projects targeted to households earning between 50% and 80% of median income, with up to \$300,000 available per project. This funding is directed to filling existing financial gaps in low- and moderate-income affordable housing projects. There are typically two competitive funding rounds per year for this program.

### ***8. MHP Permanent Rental Financing Program***

The state also provides several financing programs for rental projects through the Massachusetts Housing Partnership Fund. The Permanent Rental Financing Program provides long-term, fixed-rate permanent financing for rental projects of five or more units from \$100,000 loans to amounts of \$2 million. At least 20% of the units must be affordable to households earning less than 50% of median income or at least 40% of the units must be affordable to households earning less than 60% of median income or at least 50% of the units must be affordable to households earning less than 80% of median income. MHP also administers the Permanent Plus Program targeted to multi-family housing or SRO properties with five or more units where at least 20% of the units are affordable to households earning less than 50% of median income. The program combines MHP's permanent financing with a 0% deferred loan of up to \$40,000 per affordable unit up to a maximum of \$500,000 per project. No other subsidy funds are allowed in this program. The Bridge Financing Program offers bridge loans of up to eight years ranging from \$250,000 to \$5 million to projects involving Low Income Housing Tax Credits. Applicants should contact MHP directly to obtain additional information on the program and how to apply.

### ***9. OneSource Program***

The Massachusetts Housing Investment Corporation (MHIC) is a private, non-profit corporation that since 1991 has provided financing for affordable housing developments and equity for projects that involve the federal Low Income Housing Tax Credit Program. MHIC raises money from area banks to fund its loan pool and invest in the tax credits. In order to qualify for MHIC's OneSource financing, the project must include a significant number of affordable units, such that 20% to 25% of the units are affordable to households earning within 80% of median income. Interest rates are typically one point over prime and there is a 1% commitment fee. MHIC loans range from \$250,000 to several million, with a minimum project size of six units. Financing can be used for both rental and homeownership projects, for rehab and new construction, also covering acquisition costs with quick turn-around times for applications of less than a month (an appraisal is required). The MHIC and MHP work closely together to coordinate MHIC's construction financing with MHP's permanent take-out through the OneSource Program, making their forms compatible and utilizing the same attorneys to expedite and reduce costs associated with producing affordable housing.

### ***10. Section 8 Rental Assistance***

An important low-income housing resource is the Section 8 Program that provides rental assistance to help low- and moderate-income households pay their rent. In addition to the federal Section 8 Program, the state also provides rental subsidies through the Massachusetts Rental Voucher Program as well as three smaller programs directed to those with special needs. These rental subsidy programs are administered by the state or through local housing authorities and regional non-profit housing organizations. Rent subsidies take two basic forms – either granted directly to tenants or committed to specific projects through special Project-based rental assistance. Most programs require households to pay a minimum percentage of their adjusted income (typically 30%) for housing (rent and utilities) with the government paying the difference between the household's contribution and the actual rent.

### ***11. District Improvement Financing Program (DIF)***

The District Improvement Financing Program (DIF) is administered by the state's Office of Business Development to enable municipalities to finance public works and infrastructure by pledging future incremental taxes resulting from growth within a designated area to service financing obligations. This Program, in combination with others, can be helpful in developing or redeveloping target areas of a community, including the promotion of mixed-uses and smart growth. Municipalities submit a standard

application and follow a prescribed application process directed by the Office of Business Development in coordination with the Economic Assistance Coordinating Council.

### ***12. Urban Center Housing Tax Increment Financing Zone (UCH-TIF)***

The Urban Center Housing Tax Increment Financing Zone Program (UCH-TIF) is a relatively new state initiative designed to give cities and towns the ability to promote residential and commercial development in commercial centers through tax increment financing that provides a real estate tax exemption on all or part of the increased value (the “increment”) of the improved real estate. The development must be primarily residential and this program can be combined with grants and loans from other local, state and federal development programs. An important purpose of the program is to increase the amount of affordable housing for households earning at or below 80% of area median income and requires that 25% of new housing to be built in the zone be affordable, although the Department of Housing and Community Development may approve a lesser percentage where necessary to insure financial feasibility. In order to take advantage of the program, a municipality needs to adopt a detailed UCH-TIF Plan and submit it to DHCD for approval.

### ***13. Community Based Housing Program***

The Community Based Housing Program provides loans to nonprofit agencies for the development or redevelopment of integrated housing for people with disabilities in institutions or nursing facilities or at risk of institutionalization. The Program provides permanent, deferred payment loans for a term of 30 years, and CBH funds may cover up to 50% of a CHA unit’s Total Development Costs up to a maximum of \$750,000 per project.

### ***14. Compact Neighborhoods Program***

DHCD recently announced “Compact Neighborhoods” that provides additional incentives to municipalities that adopt zoning districts for working families of all incomes as well as smart growth development. Similar to 40R, the program requires new zoning that must:

- Allow a minimum number of “future zoned units” in the Compact Neighborhood, which is generally 1% of the year-round housing in the community;
- Allow one or more densities as-of-right in the zone of at least eight (8) units per acre on developable land for multi-family housing and at least four (4) units per acre for single-family use;
- Provide not less than 10% of units be affordable within projects of more than 12 units; and
- Not impose any restrictions to age or other occupancy limitations within the Compact Neighborhood zone although projects within the zone may be targeted to the elderly, persons with disabilities, etc.

Financial assistance through the Priority Development Fund is available to communities that are adopting Compact Neighborhoods zoning, giving priority to the creation of mixed-use development beyond the bounds of a single project. The state also promotes projects that meet the definition of smart growth under 40R, encourage housing that is priced to meet the needs of households across a broad range of incomes and needs.

The process for implementing a Compact Neighborhoods Zone includes:

- Identify an “as-of-right” base or overlay district (the Compact Neighborhood);

- Request and receive a Letter of Eligibility from DHCD; and
- Adopt the Compact Neighborhood Zoning.

### **C. Homebuyer Financing and Counseling**

#### **1. *Soft Second Loan Program***

The Massachusetts Housing Partnership Fund, in coordination with the state's Department of Housing and Community Development, administers the Soft Second Loan Program to help first-time homebuyers purchase a home. The Program began in 1991 to help families earning up to 80% of median income qualify for a mortgage through a graduated-payment second mortgage and down payment assistance. Just recently the state announced that it had lent \$1 billion in these affordable mortgages. Participating lenders originate the mortgages which are actually split in two with a conventional first mortgage based on 77% of the purchase price, the soft second mortgage for typically about 20% of the purchase price (or \$20,000 if greater) and a requirement from the buyer of at least a 3% down payment. Borrowers do not need to purchase private mortgage insurance that would typically be required with such a low down payment, thus saving the buyer significant sums on a monthly basis. Program participants pay interest only on the soft second mortgage for the first ten years and some eligible buyers may qualify for an interest subsidy on the second mortgage as well. Additionally, some participating lenders and communities offer grants to support closing costs and down payments and slightly reduced interest rates on the first mortgage.

For over 20 years, MHP has made homeownership possible for low and moderate-income homebuyers by offering the Soft Second Loan Program. Since 1990, Soft Second has helped over 17,000 families purchase their first home and has provided over \$2.7 billion in private mortgage financing. Soft Second will continue to be available through the end of 2013 but MHP will be transitioning the program from a two-mortgage structure to one and will relaunch the program as the ONE Mortgage Program. MHP and its partner banks expect to start making ONE Mortgages by the summer of 2013. Like Soft Second, ONE will offer first-time homebuyers a discounted fixed interest rate, a low down payment and will not require the homebuyer to purchase costly private mortgage insurance.

#### **2. *Homebuyer Counseling***

There are a number of programs, including the Soft Second Loan Program and MassHousing's Home Improvement Loan Program, as well as Chapter 40B homeownership projects, that require purchasers to attend homebuyer workshops sponsored by organizations that are approved by the state, Citizens Housing and Planning Association (CHAPA) and/or HUD as a condition of occupancy. These sessions provide first-time homebuyers with a wide range of important information on homeownership finance and requirements. The organizations that offer these workshops in closest proximity to Chatham include the Community Development Partnership (CDP) and Housing Assistance Corporation (HAC).

#### **3. *Self-Help Housing.***

Self-Help programs involve sweat-equity by the homebuyer and volunteer labor of others to reduce construction costs. Some communities have donated building lots to Habitat for Humanity to construct affordable single housing units. Under the Habitat for Humanity program, homebuyers contribute between 300 and 500 hours of sweat equity while working with volunteers from the community to construct the home. The homeowner finances the home with a 20-year loan at 0% interest. As funds are paid back to Habitat for Humanity, they are used to fund future projects.

**D. Home Improvement Financing**

**1. *MassHousing Home Improvement Loan Program (HLP)***

The MHFA Home Improvement Loan Program (HILP) is targeted to one- to four-unit, owner-occupied properties, including condominiums, with a minimum loan amount of \$10,000 up to a maximum of \$50,000. Loan terms range from five to 20 years based on the amount of the loan and the borrower's income and debt. MassHousing services the loans. Income limits are \$92,000 for households of one or two persons and \$104,000 for families of three or more persons. To apply for a loan, applicants must contact a participating lender.

**2. *Get the Lead Out Program***

MassHousing's Get the Lead Out Program has been offering financing for lead paint removal on excellent terms. Based on uncertain future legislative appropriations, some changes in program requirements were made to insure that eligible homeowners with lead poisoned children would have funding available for a longer period. All income eligible families who are under court order to delead or who have a child under case management with the Commonwealth's Lead Paint Prevention Program, will continue to receive 0% deferred loans. Owners wanting to delead their homes for preventive purposes must qualify for an amortizing loan with a 3% interest rate if earning within 80% of area median income, 5% interest if earning over 80% AMI and up to the program maximum. Applicants must contact a local rehabilitation agency to apply for the loan.

**3. *Septic Repair Program***

Through a partnership with the Massachusetts Department of Environmental Protection and Revenue, MassHousing offers loans to repair or replace failed or inadequate septic systems for qualifying applicants. The interest rates vary according to the borrower's income with 0% loans available to one and two-person households earning up to \$23,000 and three or more person households earning up to \$26,000 annually. There are 3% loans available for those one or two person households earning up to \$46,000 and three or more persons earning up to \$52,000. Additionally, one to four-family dwellings and condominiums are eligible for loan amounts of up to \$25,000 and can be repaid in as little as three years or over a longer period of up to 20 years. To apply for a loan, applicants must contact a participating lender.

**4. *Home Modification Program***

This state-funded program provides financial and technical assistance to those who require modifications to their homes to make them handicapped accessible. The area's regional non-profit organization, the Housing Assistance Corporation (HAC), administers these funds for the state. The Chatham Council on Aging also is available to help seniors complete application materials.