

STERLING AFFORDABLE HOUSING COMMITTEE

TOWN OF STERLING AFFORDABLE HOUSING PLAN

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January, 2006

TOWN OF STERLING AFFORDABLE HOUSING PLAN

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Webmaster: These chapters are in [another document](#)

TOWN OF STERLING HOUSING NEEDS ASSESSMENT

I. EXECUTIVE SUMMARY

A. Introduction

Sterling is primarily a rural, residential community located in the foothills of Mount Wachusett in Central Massachusetts. It is approximately 41 miles west of Boston and 12 miles north of Worcester, centrally located between Worcester and Fitchburg along the I-190 corridor. The town is bordered by Leominster on the north, Lancaster and Clinton on the east, West Boylston on the south, and Holden and Princeton on the west. Sterling has maintained its small village character and residents pride themselves on the town's history. The town was incorporated in 1781, named for William Alexander, Lord Stirling who was a general in George Washington's army and a hero of the American Revolution. While primarily a farming community until well into the twentieth century, Sterling had an early tradition of small manufacturing that included clocks, hats, pottery, and cider. Sterling is the home of Mary Sawyer, noted in the famous children's rhyme of "Mary Had a Little Lamb", and is also the home of Butterick patterns, patented by Ebenezer Butterick in 1896.

Population growth has put significant pressures on the town, local services and the housing market, especially between the years of 1960 and 1990 when the population nearly doubled in size. In fact, Sterling has experienced a relatively higher rate of growth in comparison to other municipalities in the Montachusett region, which overall increased in population by 6.1% during the 1980's and another 6.1% in the 1990's.¹ The rate of growth has slowed down since that time, but the town is still steadily gaining new residents. According to Sterling's Community Development Plan prepared by the Montachusett Regional Planning Commission, much of this growth has resulted from the outward movement of people from population centers, such as Boston, in search of more affordable living conditions. "Historically, regional growth is primarily due to persons migrating from the southern or eastern parts of the state in particular, where housing costs are significantly higher, in search of more affordable housing."² This increased pressure on the existing housing market leads to increased costs of housing making it more difficult for existing residents or those who were raised in town to secure affordable living options locally.

Increasing housing prices are also attracting greater attention from private developers interested in Chapter 40B development and prompting Town leaders and residents to recognize that different strategies are required to better plan for housing development and insure that it is more directed to serving local needs and objectives. According to Chapter 40B regulations, if a municipality has less than 10% of its year-round housing set-aside for low- and moderate-income residents, it is not meeting the regional and local need for affordable housing. 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.³

¹ Montachusett Regional Planning Commission, Community Development Plan, June 2004.

² Ibid.

³ 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.

Based on the Massachusetts Department of Housing and Community Development's most recent data on the Chapter 40B Subsidized Housing Inventory, Sterling has 2,611 year-round housing units, of which 44 can be counted as affordable, representing 1.69% of the year-round housing stock. Sterling is therefore vulnerable to losing control over housing development through Chapter 40B comprehensive permit applications. To meet the 10% standard, at least 261 of the existing units would have to be "affordable" based on the state's definition. This means that right now Sterling is short of the 10% standard by 217 housing units. Assuming future housing growth, this 10% figure is a moving target and ultimately the required minimum number of year-round units will increase over time.

Undertaking a more proactive housing agenda to promote affordable housing will be a significant challenge in Sterling. First, the town's resources for absorbing growth are extremely limited as it has significant physical constraints regarding existing infrastructure, which make denser development more costly and difficult. For example, Sterling has no sewer services and some areas of town still rely on wells. This raises concerns among residents about water supply and quality impacts of any new development. Additionally, reductions in State aid are exacerbating problems, resulting in the need for the Town to seek additional funds above the minimum local requirements to maintain a status quo budget for schools.

Second, local zoning provides substantial obstacles to affordable housing development, and current regulations would have to be reformed or in many cases overridden through "friendly" comprehensive permits to overcome these obstacles. Zoning for accelerated growth raises local questions concerning capacity and changing the very nature of the community with its small town distinctions. Third, the town needs to establish the means of building its capacity to promote new affordable units by aggressively reaching out for necessary technical and financial resources and building the political support needed to get the job done. It must also strive to effectively manage the Town's limited assets as a whole and direct growth most effectively for the overall environmental and social health of the community.

This Affordable Housing Plan suggests a range of options to meet pressing local housing needs and to bring Sterling closer to the state 10% threshold, presenting a proactive housing agenda of Town-sponsored initiatives. Due to the rising costs of homeownership, including escalating costs associated with taxes and utilities, some residents are finding it increasingly difficult to afford to remain in Sterling. Children who grew up in the town are now facing the possibility that they may not be able to return to raise their own families locally. Long-term residents, especially the elderly, are finding themselves less able to maintain their homes and keep up with increased real estate taxes but unable to find alternative housing that better meets their current life styles. Families are finding it more difficult to "buy up," purchasing larger homes as their families grow. Town employees and employees of local businesses, although relatively small in number, are increasingly hard pressed to find housing that is affordable in Sterling. More housing options are required to meet these local needs and produce Sterling's fair share of regional needs.

Based on the surge of interest from developers in proposing Chapter 40B developments, town residents no longer have the luxury of maintaining the status quo. New housing will be built, and residents must consider what steps should be taken and what compromises can be accepted to have some control over Sterling's future development. This Affordable Housing Plan represents a critical step forward and an opportunity for the town to chart its own course on affordable housing development.

B. Housing Goals

The Town of Sterling through its Affordable Housing Committee has identified the following goals that serve as the basis for the strategies that are proposed in this Affordable Housing Plan:

- Meet local needs across the full range of incomes, sustaining social and economic diversity and promoting the stability of individuals and families in Sterling.
- Maintain Sterling's small-town, rural character and insure that new housing creation is harmonious with the existing community.
- Provide a wider range of housing alternatives and types to reflect community needs.
- Leverage other public and private resources to the greatest extent possible.
- Strive to meet the 10% state standard for affordable housing.
- Preserve the existing affordable stock.
- Promote outreach and education to the community to provide information on affordable housing and to engage residents in local initiatives.
- Promote smart growth development.

See Section II.C. for more information on these goals.

C. Summary of Housing Needs Assessment

This Housing Needs Assessment presents an overview of the current housing situation in the town of Sterling, providing the context within which a responsive set of strategies can be developed to address housing needs and meet production goals. Key findings in regard to household characteristics, housing characteristics, and housing affordability in Sterling are highlighted in the following:

Household Characteristics⁴

- Sterling is growing. The 2000 census data indicates that the town of Sterling had a total population of 7,257, a 12.2% increase over the 1990 population of 6,469 and a 33.4% increase since 1980 when the population was 5,440. The population in 2005 has increased to 8,020.
- The population has remained predominately White but minority residents are steadily increasing in number from 37 residents in 1980 to 88 in 1990 and 141 in 2000. Approximately 40% of the 2000 minority population identified themselves as of Hispanic origin, another 30% as Black and approximately 20% as Asian.
- Sterling is becoming increasingly affluent. The median household income in 1999 was \$65,188, up 32% from the 1989 median income of \$49,335 and well above the median income for Worcester County of \$47,874.
- There were decreases in the numbers of households in all of the income ranges below \$35,000 from 1980 to 2000 while the numbers of households earning more than \$50,000 increased substantially over the two decades. Those earning more than \$100,000 grew from less than 24 in 1980 to 672 in 2000 – well over what would be expected by normal inflationary trends.
- Despite this wealth, there still remains a population living in Sterling with very limited means. Of the 2,579 total households counted in 1999, 55 or 2.1% had incomes of less than \$10,000 and another 258 or 10.0% had incomes between \$10,000 and \$24,999. These figures represent extremely low-income levels which are at or below 30% of area median income as defined by HUD. An additional 130 households had incomes within what public agencies would define as very low-income levels or within 50% of area median income. The total number of households within these income categories was 443 households in 2000, or 17.2 of all Sterling's households, not an insignificant number given the general affluence of this small community.

⁴ This data is largely based on census information that does not measure all factors contributing to a household's economic capacity but provide some limited means for evaluating need.

- More than one-third of Sterling's households are likely to be income-eligible for affordable housing using the 80% of area median income level as defined by the U.S. Department of Housing and Urban Development (HUD) or \$56,700 for a family of four.⁵
- The numbers of residents living in poverty declined only somewhat between 1980 and 2000, from 223 to 213 following a significant increase in 1990 to 299 individuals. These residents have substantial income limitations and must have access to public assistance to meet their housing needs.
- Approximately two-thirds of local households (1,666 households) would qualify as middle-income using the state's definition as prescribed by Executive Order 418 of \$87,600.
- Smaller, non-family households (un-related people living together) are becoming a somewhat more significant part of Sterling, representing now about 20% of the number of households.
- The town's population is aging, presenting another factor contributing to smaller household sizes. In 2000 there were 655 persons 65 years of age or older, representing 9.0% of the population, as compared to 402 or 7.4% of the total population in 1980. Residents between the age of 55 and 64 increased by a striking 56% between 1980 and 2000.
- The school-age population of those under 18 of age comprised almost one-third of the 1980 population, or 1,780 young persons, but is down proportionately to 27.5% of the population in 2000, or almost 2,000 individuals. The number of children under age five decreased by 5.1% from 1990 to 2000, but children age five to 19 increased by 155 persons or 10.4%. Unless there is an unexpected increase in housing units, it is probable the town's school age population will decline somewhat over the next few years.
- Demographic trends suggest that those entering the labor market and forming new families are dwindling in numbers and 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 Sterling. For example, those who are between the ages of 20 and 34 decreased in numbers from 1,385 in 1980 to 1,051 in 2000, a 31.8% decline despite overall population growth.
- There was a substantial population increase among those between the ages of 35 and 54 involving an additional 1,465 new residents in this age range between 1980 and 2000 or a percentage change of 113%. This demonstrates that new residents must wait to enter their higher wage-earning years in order to purchase a home in Sterling given current market conditions.
- There are a number of residents who have special needs and are disabled. Of the 2000 population age 5 to 20 years old, 64 or 3.7% had some disability. Of the population age 21 to 64, 435 or 9.8% claimed a disability, but 69.0% of this group was employed leaving another 31.0% who were unemployed, likely due to disability. In regard to the population 65 years of age or older, 332 or half of those in the age group claimed some type of disability. These levels of disability, particularly that of seniors, represent significant special needs within the Sterling community.
- Almost one-third of the persons in Sterling over the age of five, or 2,189 existing residents, moved to a new residence from 1995 to 2000. It is important to note that housing turnover drives up housing prices in an escalating real estate market, and typically the buyers are more affluent than sellers, fueling demographic changes in the community over time.

Housing Characteristics

- The 2000 census counted 2,637 total housing units in the town of Sterling, up 14.2% from 2,308 units in 1990 and a 47.0% increase from 1,793 units in 1980.
- Out of total housing units in 2000, Sterling had 2,573 occupied units, of which 2,186 or 85.0% were owner-occupied while the remaining 387 units or 15.0%, were rental units. These figures

⁵ While these households' incomes might be at or below 80% of area median income, many households are likely to have assets that are more than the allowable state or federal standards that would disqualify them from housing assistance.

- represent a considerably higher level of owner-occupancy in 2000 than that for Worcester County as a whole at 64.1%, the Montachusett region at 67%, or for the state at 62%.
- Total growth in Sterling's housing stock from 1980 to 1990 was 515 units and from 1990 to 2000 was 329 units, including an increase in the rental stock between 1980 and 1990 of 115 units. However, the number of rental units decreased by 36 units from 1990 to 2000, most likely because houses that had been rented shifted over to owner-occupancy or condo conversion.
 - The 2000 census indicates that a great majority of the existing housing units are in single-family structures – 2,236 units representing 84.8% of Sterling's housing units, significantly higher than the 56.2% level for the county.
 - The 2000 census counted 2.4% of the housing stock, or 64 units, as vacant, of which 26 units involved seasonal, recreational or occasional use. The homeowner vacancy rate was 0.3%, down only marginally from 1.4% in 1990; and the rental vacancy rate of 2.3% also represented a decline from 3.0% in 1990. The change in numbers involved in these vacancy statistics is insignificant as any level below 5% is considered to represent tight market conditions and the rates remain well below that of the state and nation as a whole.
 - More than 60% of Sterling's housing stock, 1,645 units, was built prior to 1970, and 468 units or 17.7% of the housing stock was built prior to World War II, which is well below the state average of 34.5% and the county figure of 32.9%.
 - There were significant numbers of units produced between 1970 and 1990, totaling 1,075 units or almost 40% of the housing stock, and another 465 units were produced from 1990 through March of 2000, representing a significant portion of newer housing in Sterling that is likely to be in decent condition.

Housing Affordability

- Almost 20% of Sterling residents, or about 484 households, are currently living in housing that is by common definition beyond their means and unaffordable.
- There are no longer homes available for less than \$200,000 that would be affordable to low- and moderate-income households. Even homes priced at less than \$300,000 have dwindled over the past few years.
- Data from the June 10, 2005 Multiple Listing Service (MLS) report indicates that the 2004 median single-family sales price in Sterling was \$306,250.
- Approximately two-thirds of Sterling's households could not afford to buy a home at the 2004 median sales price for all sales of \$305,000. To do so requires an income of more than \$90,000,⁶ significantly more than the 2000 median income of \$65,188.
- The borrowing power of the average household, based on the town's median income of \$65,188, is about \$214,000, and houses at this price level are becoming scarce.
- The affordability gap is about \$91,000 - the difference between the price of the median priced home (\$305,000) and what a median income (\$65,188) household can afford (\$214,000). The affordability gap increases to \$135,000 if the analysis focuses on those low- and moderate-income households earning at or below 80% of area median income.
- The 2000 census indicated that the median gross rental was \$563, surprisingly lower than the 1990 median rent of \$654, and requiring an income of \$22,520 that is not affordable to about 10% of Sterling's households. More recent market rentals are significantly higher ranging from \$950 to \$1,300 for two-bedroom apartments in duplexes or condominiums.

⁶ Figures based on 95% financing, interest of 6.5%, 30-year term, annual property tax rate of \$13.03 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 percent of loan amount, and rents for two-family homes of \$600.

D. Summary of Affordable Housing Planned Production Goals

The State administers the Planned Production Program that enables cities and towns to adopt an affordable housing plan that demonstrates production 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. Sterling will have to produce approximately 20 affordable units annually to meet these production goals through 2010. When the 2010 census figures become available in 2011, this number will be higher, most likely closer to 25 units. If the State certifies that the locality has complied with its annual production goals, the Town may, through its Zoning Board of Appeals, deny comprehensive permit applications without opportunity for appeal by developers.

Using the strategies summarized under the Housing Action Plan described in Section VI, the Town of Sterling has developed a Planned Production Program to chart affordable housing production activity over the next decade. 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:

- To the greatest extent possible, at least 50% of the units that are developed on Town-owned parcels should be affordable to households earning at or below 80% of area median income and at least another 10% affordable to those earning up to 150% of area median income, depending on project feasibility. The rental projects will also target some households earning at or below 60% of area median income depending upon subsidy program requirements.
- Projections are based on a minimum of four units per acre. However, given specific site conditions and financial feasibility it may be appropriate to increase or decrease density as long as projects are in compliance with state Title V and wetlands regulations.
- Because housing strategies include some development on privately owned parcels, production will involve projects sponsored by private developers through the standard regulatory process or “friendly” comprehensive permit process. The Town plans to promote increased affordability in these projects, working with developers to incorporate at least 30% of the units as affordable.
- The projections involve a mix of rental and ownership opportunities. The Town will work with private developers to promote a diversity of housing types directed to different populations with housing needs including families, seniors and other individuals with special needs to offer a wider range of housing options for residents.

Planned production goals over the next ten years include the creation of 283 affordable units and 40 middle-income units with a total projected number of housing units created of 666 units.

E. Summary of Housing Action Plan

The strategies outlined below are based on previous plans, reports, studies, the Housing Needs Assessment, and the experience of other comparable localities in the region and throughout the Commonwealth. The strategies are grouped according to the type of action proposed – Planning and Regulatory Reform, Building Local Capacity, Housing Production, and Housing Preservation – and categorized by Two-Year and Five-Year Action Plans.

1. Implement Planning and Regulatory Reforms

The Town of Sterling should consider the following planning and zoning-related strategies to promote the creation of additional affordable units.

- Adopt inclusionary zoning
- Amend accessory apartment bylaw
- Explore adoption of 40R
- Waive permit fees for affordable housing projects
- Adopt Affordable Housing Guidelines
- Encourage flexible zoning
- Waive property taxes in exchange for deed restrictions

2. *Build Local Capacity*

In order to be able to carry out the strategies included in this Affordable Housing Plan and meet the Planned Production goals, it will be important for the Town of Sterling to build its capacity to promote affordable housing activities. This capacity includes gaining access to greater resources – financial and technical – as well as building local political support, developing partnerships with public and private developers and lenders, and creating and augmenting local organizations and systems that will support new housing production.

- Conduct educational campaign
- Create Affordable Housing Trust Fund and capitalize
- Promote adoption of the Community Preservation Act
- Access new housing resources
- Apply annually for Commonwealth Capital scoring
- Secure professional support
- Establish Annual Housing Summits

3. *Housing Production*

To accomplish the actions included in this Affordable Housing Plan and meet production goals, it will be essential for the Town of Sterling to reach out to the development community and sources of public and private financing to secure the necessary technical and financial resources to create actual affordable units. While some of the units produced will rely on the participation of existing homeowners, most of the production will require joint ventures with developers – for profit and non-profit – to create affordable housing. In addition to the active participation of the development community, it will be important for Sterling to actively seek support from state and federal agencies.

- Make Town-owned land available for affordable housing
- Incorporate accessory apartments in the Subsidized Housing Inventory
- Support scattered-site housing
- Convert existing housing units to affordability

4. *Housing Preservation*

Housing production is critical, but the Town also needs to be concerned that it does not lose units already counted as part of its Subsidized Housing Inventory and provides resources to support the deferred home maintenance needs of lower income residents, including seniors.

- Monitor affordability of Subsidized Housing Inventory
- Help qualifying homeowners access housing assistance

F. Summary Description of Use Restrictions

Sterling is committed to maintaining its Subsidized Housing Inventory for as long a period as possible. Affordable units must serve households with incomes no greater than 80% of the area median income for which the unit is located. Units must be subject to use restrictions or re-sale controls to preserve their affordability as follows:

- For minimum of thirty years or longer from the date of subsidy approval or construction for new construction.
- For a minimum of fifteen years or longer from the date of subsidy approval or completion for rehabilitation.
- Alternatively, a term of perpetuity is encouraged for both new construction and completion of rehabilitation.

Units are or will be subject to an executed Regulatory Agreement between the developer and the subsidizing agency unless the subsidy program does not require such an agreement. The units have been, or will be marketed in a fair and open process consistent with state and federal fair housing laws.

II. INTRODUCTION

Sterling is primarily a rural, residential community located in the foothills of Mount Wachusett in Central Massachusetts. It is approximately 41 miles west of Boston and 12 miles north of Worcester, centrally located between Worcester and Fitchburg along the I-190 corridor. The town is bordered by Leominster on the north, Lancaster and Clinton on the east, West Boylston on the south, and Holden and Princeton on the west. Sterling has maintained its small village character and residents pride themselves on the town’s history. The town was incorporated in 1781, named for William Alexander, Lord Stirling, who was a general in George Washington’s army and a hero of the American Revolution. While primarily a farming community until well into the twentieth century, Sterling had an early tradition of small manufacturing that included clocks, hats, pottery, and cider. Sterling is the home of Mary Sawyer, noted in the famous children’s rhyme of “Mary Had a Little Lamb”, and is also the home of Butterick patterns, patented by Ebenezer Butterick in 1896.

Population growth has put significant pressures on the town, local services and the housing market, especially between the years of 1960 and 1990 when the population nearly doubled in size. In fact, Sterling has experienced about double the rate of growth in comparison to other municipalities in the Montachusett region, which overall increased in population by 6.1% during the 1980’s and another 6.1% in the 1990’s.⁷ The rate of growth has slowed down since that time, but the town is still steadily gaining significant numbers of new residents. According to Sterling’s Community Development Plan prepared by the Montachusett Regional Planning Commission, much of this growth has resulted from the outward movement of people from population centers, such as Boston, in search of more affordable living conditions. “Historically, regional growth is primarily due to persons migrating from the southern or eastern parts of the state in particular, where housing costs are significantly higher, in search of more affordable housing.”⁸ This increased pressure on the existing housing market leads to increased price of housing, making it more difficult for existing residents or those who were raised in town to secure affordable living options locally.

**Population Change
1960-2000
Increase From Previous Period**

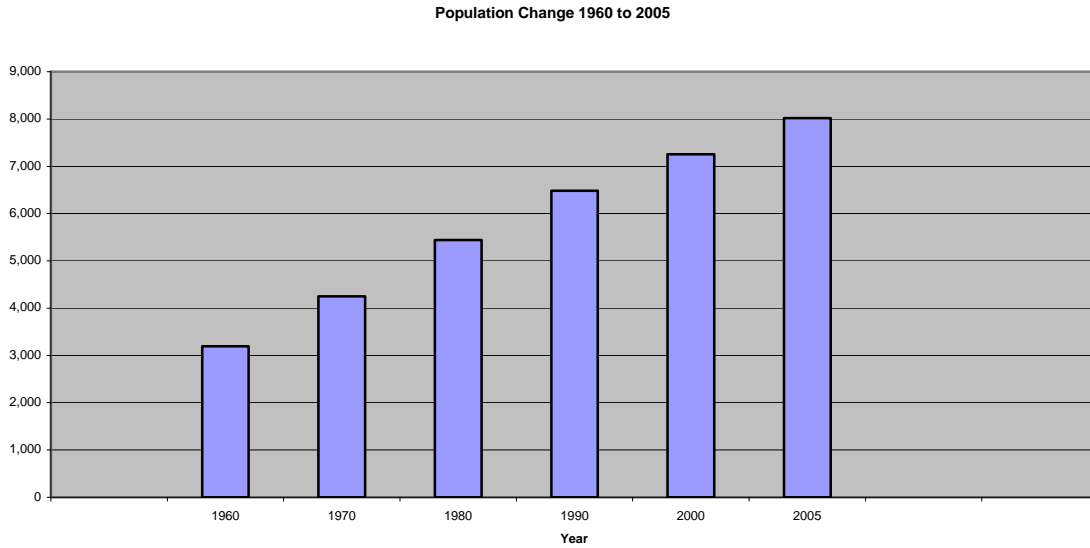
Year	Population	Percent Change	Increase in Numbers of Residents
1960	3,193	--	--
1970	4,247	33%	1,054
1980	5,440	28%	1,193
1990	6,481	19%	1,041
2000	7,257	12%	776
2005 (as of 10/05)	8,020	10.5%	763

Source: U.S. Census Bureau, Town of Sterling

This population growth in Sterling is graphically presented in the following chart.

⁷ Montachusett Regional Planning Commission, Community Development Plan, June 2004.

⁸ Ibid.



Increasing housing prices are also attracting greater attention from private developers interested in Chapter 40B development of affordable housing and prompting Town leaders and residents to recognize that different strategies are required to better plan for housing development and insure that it is more directed to serving local needs and objectives. According to Chapter 40B regulations, if a municipality has less than 10% of its year-round housing set-aside for low- and moderate-income residents, it is not meeting the regional and local need for affordable housing. 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.⁹

Based on the Massachusetts Department of Housing and Community Development’s most recent data on the Chapter 40B Subsidized Housing Inventory, Sterling has 2,611 year-round housing units, of which 44 can be counted as affordable, representing 1.69% of the year-round housing stock. Sterling is therefore vulnerable to losing control over housing development through Chapter 40B comprehensive permit applications. To meet the 10% standard, at least 261 of the existing units would have to be “affordable” based on the state’s definition. This means that right now Sterling is short of the 10% standard by 217 housing units. Assuming future housing growth, this 10% figure is a moving target and ultimately the required minimum number of year-round units will increase over time.

Undertaking a more proactive housing agenda to promote affordable housing will be a significant challenge in Sterling. First, the town’s resources for absorbing growth are extremely limited as it has significant physical constraints regarding existing infrastructure, which make denser development more costly and difficult. For example, Sterling has no sewer services and some areas of town still rely on wells. This raises concerns among residents about water supply and quality impacts of any new

⁹ 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.

development. Additionally, reductions in State aid are exacerbating problems, resulting in the need for the Town to seek additional funds above the minimum local requirements to maintain a status quo budget for schools.

Second, local zoning provides substantial obstacles to affordable housing development, and current regulations would have to be reformed or in many cases overridden through “friendly” comprehensive permits to overcome these obstacles. Zoning for accelerated growth raises local questions concerning capacity and changing the very nature of the community with its small town distinctions. Third, the town needs to establish the means of building its capacity to promote new affordable units by aggressively reaching out for necessary technical and financial resources and building the political support needed to get the job done. It must also strive to effectively manage the Town’s limited assets as a whole and direct growth most effectively for the overall environmental and social health of the community.

In 2005, Sterling’s Affordable Housing Committee, established by the Board of Selectmen to oversee the preparation of an Affordable Housing Plan, contacted consultants to determine their qualifications and interest in assisting the Committee in its efforts to create a Plan for the Town that would meet the requirements of 760 CMR 31.07 (1)(i) under the state’s Planned Production Program. Approval and certification under these regulations will enable the town to deny unwelcome Chapter 40B comprehensive permit applications. The Sterling Affordable Housing Committee selected a consultant in the summer of 2005.

This Affordable Housing Plan suggests a range of options to meet pressing local housing needs and to bring Sterling closer to the state 10% threshold, presenting a proactive housing agenda of Town-sponsored initiatives. Due to the rising costs of homeownership, including escalating costs associated with taxes and utilities, some residents are finding it increasingly difficult to afford to remain in Sterling. Children who grew up in the town are now facing the possibility that they may not be able to return to raise their own families locally. Long-term residents, especially the elderly, are finding themselves less able to maintain their homes and keep up with increased real estate taxes but unable to find alternative housing that better meets their current life styles. Families are finding it more difficult to “buy up,” purchasing larger homes as their families grow. Town employees and employees of local businesses, although relatively small in number, are increasingly hard pressed to find housing that is affordable in Sterling. More housing options are required to meet these local needs and produce Sterling’s fair share of regional needs.

Based on the surge of interest from developers in proposing Chapter 40B developments, town residents no longer have the luxury of maintaining the status quo. New housing will be built, and residents must consider what steps should be taken and what compromises can be accepted to have some control over Sterling’s future development. This Affordable Housing Plan represents a critical step forward and an opportunity for the town to chart its own course on affordable housing development.

A. Definition of Affordable Housing

Affordable housing is not necessarily subsidized housing or low- or moderate-income housing. There are a number of definitions of affordable housing, as federal and state programs offer various criteria. For example, the federal government identifies units as affordable if gross rent (including costs of utilities borne by the tenant) is no more than 30% of a household’s net or adjusted income (with a small deduction per dependent, for child care, extraordinary medical expenses, etc.) or if the carrying costs of purchasing a home (mortgage, property taxes and insurance) is not more than 30% of gross income. If households are paying more than these thresholds, they are described as experiencing housing affordability problems; and if they are paying 50% or more for housing, they have severe cost burdens.

Affordable housing is also defined according to percentages of median income for the area, and most housing subsidy programs are targeted to particular income ranges depending upon programmatic goals. Extremely low-income housing is directed to those earning at or below 30% of area median income as defined by the U.S. Department of Housing and Urban Development (\$21,250 for a family of four for the Worcester PMSA area) and very low-income is defined as households earning less than 50% of area median income (\$35,450 for a family of four). Sometimes 60% of area median income is used for particular low-income programs (\$42,500 for a four person household). Low-income generally refers to the range between 51% and 80% of area median income (\$56,700 for a family of four at the 80% level), and moderate-income from 81% to 100%, and sometimes 110% and 120% of median income (\$70,850, \$77,935 and \$85,020, respectively, based on a family size of four). These income levels are summarized in the table below:

**2005 TARGETED INCOME LEVELS FOR
AFFORDABLE HOUSING IN THE WORCESTER PMSA**

# Persons in Household	30% of Median Income	50% of Median Income	80% of Median Income
1	\$14,900	\$24,800	\$39,700
2	17,000	28,350	45,400
3	19,150	31,900	51,050
4	21,250	35,450	56,700
5	22,950	38,250	61,250
6	24,650	41,100	65,800
7	26,350	43,950	70,350
8	28,100	46,750	74,850

2005 Median Household Income for the Worcester PMSA = \$70,850

Additionally, most state-supported housing assistance programs are targeted to households earning at or below 80% of area median income, as well as some at lower income thresholds. Middle-income has been defined under the state’s Executive Order 418 as up to 150% of area median income or \$87,600.

In general, programs that subsidize rental units are targeted to households earning within 60% of median income, \$42,500 for a family of four. However, first-time homebuyer programs typically apply income limits of up to 80% of area median income. The state’s Community Preservation Act allows resources to be directed to those within a somewhat higher income threshold – 100% of area median income

It is worth noting that according to the 2000 census, about 960 households or 37% -- more than one-third of Sterling’s households – are likely to be income-eligible for affordable housing using the 80% of area median income level, and approximately two-thirds or 1,670 households had incomes within the state’s definition of middle income for Sterling or earning within \$87,600.

The Chapter 40B definition of affordable housing is as follows:

CHAPTER 40B: WHAT IS AFFORDABLE HOUSING?

1. Must be part of a “subsidized” development built by a public agency, non-profit, or limited dividend corporation.
2. 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. Restrictions must run at least 15 years for housing rehabilitation and at least 30 years for new construction.
3. Development must be subject to a regulatory agreement and monitored by a public agency or non-profit organization.
4. Project sponsors must meet affirmative marketing requirements.

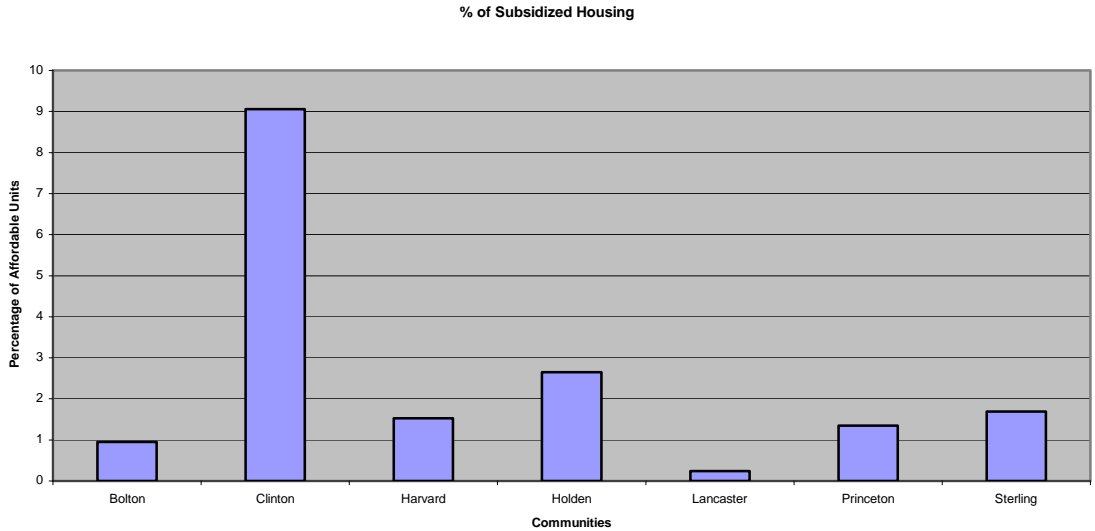
Source: CHAPA, February 2001

In counting a community’s progress toward the 10% threshold, the state counts a housing unit as affordable if it is subsidized by local, state or federal programs that support low- and moderate-income households at or below 80% of area median income under Chapter 774 of the Acts of 1969. This is the legislation which established the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B). Based on the Massachusetts Department of Housing and Community Development’s most recent data on the Chapter 40B Subsidized Housing Inventory, Sterling has 2,611 year-round housing units, of which 44 can be counted in the Subsidized Housing Inventory, representing 1.69% of the year-round housing stock. As mentioned earlier, to meet the 10% standard, at least 261 of the existing units would have to be “affordable” based on the state’s definition requiring at least another 217 housing units to be built or converted to affordable units in Sterling to meet just the 10% standard, a daunting challenge, not to mention additional affordable units that will be required to keep pace with housing growth.

Sterling is not alone in this quandary about what to do about the lack of affordable housing. Most of Sterling’s neighbors also have affordable housing levels below the state target, and, most, like Sterling, face significant challenges in meeting the 10% state goal. The level of housing affordability in each of the surrounding towns is as follows:

1. Bolton – 14 units (0.95%)
2. Clinton – 527 units (9.06%)
3. Harvard – 33 units (1.53%)
4. Holden – 154 units (2.65%)
5. Lancaster – 8 units (0.24%)
6. Princeton – 16 units (1.35%)
7. Sterling – 44 units (1.69%)

None of Sterling’s neighboring towns have produced enough affordable units to meet the state target of 10% of its year round housing stock, however Clinton is only 55 units shy of meeting the threshold. Of the remaining towns listed above, none have yet even surpassed 5% as the chart below clearly indicates.



In recognition of pressing local needs, this Housing Plan suggests a range of opportunities to meet specified local housing priorities and to bring Sterling closer to the state 10% threshold. The Plan will also set the stage for producing new units that will allow the Town to reject unwanted Chapter 40B developments through Planned Production, a relatively new addition to Chapter 40B regulations. Given past efforts in the area of affordable housing, creating the 20 units a year needed to meet Planned Production goals and exert control over new development will be a substantial challenge. Nevertheless, affordable housing will come to Sterling, and this Plan provides a mechanism for the town to guide its creation as opposed to reliance on outside development interests.

B. The Planning Process

This Affordable Housing Plan is divided into two phases. The first phase focuses on the Housing Needs Assessment – the review and assessment of documentation and research already compiled as well as the collection and analysis of new information to identify local housing needs, to determine what resources are available to meet these needs and to obtain a comprehensive understanding of the remaining gaps in housing services and programs.

The second phase provides specifics on how to preserve and create new affordable housing opportunities in Sterling. Guided by the context established in phase one, Two-Year and Five-Year Action Plans will be presented, each including the rationale for the strategy, next steps, the timetable for implementation, the resources required, the estimated costs involved, and the projected number of affordable units produced. These strategies will provide a blueprint to enable the Town Board of Selectmen, Planning Board, Affordable Housing Committee, Housing Authority, and other key committees to chart a course for the future with respect to making progress on the 10% state affordable housing threshold, production goals and local housing needs.

This process builds on previous plans and studies including the 2004 Community Development Plan, prepared by the Montachusett Regional Planning Commission.

C. Housing Goals

The Town of Sterling through its Affordable Housing Committee has identified the following goals that serve as the basis for the strategies that are proposed in this Affordable Housing Plan:

- *Meet local needs across the full range of incomes, sustaining social and economic diversity and promoting the stability of individuals and families in Sterling.*
It can be argued that diversity in a community contributes to local health and vitality, and that differences enrich us all. There are clear advantages for maintaining what diversity still exists in Sterling related to economic, age, religious, racial and ethnic differences. Certainly the preservation and production of affordable housing is a proven method for promoting diversity, allowing those individuals and families with more limited means to afford to live in town, particularly when the housing market is becoming increasingly oriented to the affluent. Solutions need to be found to enable children who grew up in town to return to raise their own families here, to offer Town employees the opportunity to live in the community in which they work, to provide housing alternatives to elderly residents who have spent much of their lives in town but now require alternatives to their large single-family homes, and to offer families the flexibility of moving to larger homes as their families grow.
- *Maintain Sterling's small-town, rural character and insure that new housing creation is harmonious with the existing community.*
New affordable housing development should be harmonious with the existing community, becoming an amenity that blends well within the architectural context of Sterling. Therefore, developments to the greatest extent possible should incorporate a number of characteristics – mixed-income, covering a wide range of income needs; low to medium density, scattered-site, eliminating huge impacts in any one part of the community; and well designed to make maximum use of the natural attributes of development sites and to conform with the small-town, rural character of Sterling.
- *Provide a wider range of housing alternatives and types to reflect community needs.*
Current market conditions and local zoning bylaws are compelling developers to produce single-family homes on large lots that are typically removed from transportation and services. Not all households are best served by such development, and the Town has the ability to create opportunities for developers to build other types of housing for local residents. For example, some of the elderly who own their homes are likely finding that these homes are too large for them to maintain on fixed incomes and that they are becoming increasingly isolated. Couples are hard-pressed to find housing they can afford in which to raise their families. Single individuals, whether they be young or old, may wish to live in closer proximity to others of similar age. Opportunities need to be made available to allow current residents to remain in place if they wish and to provide new housing options that are more responsive to current needs and life style choices for others.
- *Leverage other public and private resources to the greatest extent possible.*
Because Sterling is a small town that does not receive federal funding for affordable housing on an entitlement basis and because it does not have large pockets of poverty that make it a target for state funding, the Town needs to be creative in how it can leverage both public and private resources to make affordable housing development possible. State agencies recognize the importance of smaller communities doing their fair share in housing lower income households and want to be supportive of affordable housing initiatives, nevertheless, the town needs to be strategic in how it invests its limited resources towards the production of new housing opportunities.
- *Strive to meet the 10% state standard for affordable housing.*
Based on the Massachusetts Department of Housing and Community Development's most recent data on the Chapter 40B Subsidized Housing Inventory, Sterling has 2,611 year-round housing units, of which 44 can be counted as affordable, representing 1.69% of the year-round housing stock. Sterling is therefore vulnerable to losing control over

housing development through Chapter 40B comprehensive permit applications. To meet the 10% standard, at least 261 of the existing units would have to be “affordable” based on the state’s definition. This means that right now Sterling is short of the 10% standard by 217 housing units. Assuming future housing growth, this 10% figure is a moving target and ultimately the required minimum number of year-round units will increase over time. While it is a daunting challenge to move from a 1.69% to a 10% level of housing affordability, careful planning, local leadership and new resources can help the community make a more significant contribution to meeting local and regional needs with respect to providing decent, safe and affordable homes in Sterling.

- *Preserve the existing affordable stock.*
Sterling should consider opportunities for maintaining what affordability currently exists within the town’s unsubsidized and subsidized housing stock, protecting this affordability through use restrictions for as long a period of time as possible.
- *Promote outreach and education to the community to provide information on affordable housing and to engage residents in local initiatives.*
Affordable housing production will not happen in Sterling without the support of the community. To secure this support, it will be important to better inform residents on the need and benefits of affordable housing and to solicit their support in local efforts to guide new residential development to better meet local needs and priorities.
- *Promote smart growth development.*
Smart growth development is a response to the problems associated with unplanned, unlimited suburban development – or sprawl – and calls for more efficient land use, compact development patterns, less dependence on the automobile, a range of diverse housing opportunities and choices, equitable allocation of the costs and benefits of development, and an improved jobs/housing balance. Some principles of smart growth development include:
 - 1) Providing mixed-use development near the town and village centers;
 - 2) Locating housing in close proximity to public transportation;
 - 3) Allowing higher density housing or mixed-use development near transit stops, along commercial corridors or in town and village centers;
 - 4) Redeveloping environmentally impacted or brownfields sites;
 - 5) Restoring vacant and abandoned residential buildings to productive use;
 - 6) Converting vacant or underutilized former manufacturing, commercial or municipal buildings to housing;
 - 7) Encouraging the development of housing and preservation of open space so that the goals of each will be mutually satisfied using techniques such as cluster zoning, transfer of development rights, or other innovative zoning or regulatory devices;
 - 8) Promoting the redevelopment of vacant infill parcels; and
 - 9) Participating in regional responses to addressing affordable housing needs.

Smart growth is particularly challenging in more rural settings where infrastructure and transportation services are lacking. The state is currently giving priority consideration to funding applications that promote smart growth, and it will be essential for the town of Sterling to make every effort to integrate such principles into its affordable housing initiatives.

III. HOUSING NEEDS ASSESSMENT

This Housing Needs Assessment presents an overview of the current housing situation in the town of Sterling, providing the context within which a responsive set of strategies can be developed to address housing needs and meet production goals. As housing values soar, it is becoming increasingly difficult for individuals and families to find affordable housing in the private market; and the private market, without subsidies or zoning relief, is neither able nor interested in producing housing that is affordable to low- and moderate-income households. As a result, it becomes necessary to increasingly rely on regulatory relief and housing subsidies in some form to preserve affordable housing and to produce enough units to meet existing affordable housing needs and demands. Escalating market prices for both the purchase and rental of housing have generated concerns that many long-term residents might be experiencing difficulties paying their taxes, maintaining their homes or affording market rentals. Children who grew up in town can no longer find suitable housing in which to raise their families. Town employees are confronted with longer commutes as the increasing affluence of the area squeezes them out of the housing market.

A. Housing Characteristics

1. Population and Housing Data

Population, Race and Household Type

The 2000 census data indicates that the town of Sterling had a total population of 7,257, a 12.2% increase over the 1990 population of 6,469 and a 33.4% increase since 1980 when the population was 5,440. The Town of Sterling indicates that the population has since grown to 8,020 residents, up 10% since 2000. The population has remained predominately White but minority residents are steadily increasing in number from 37 residents in 1980 to 88 in 1990 and 141 in 2000. Approximately 40% of the 2000 minority population identified themselves as of Hispanic origin, another 30% as Black and approximately 20% as Asian.

**Demographic Characteristics
1980-2000**

	1980		1990		2000	
	#	%	#	%	#	%
Total Population	5,440	100.0	6,469	100.0	7,257	100.0
Minority Population*	37	0.7	88	1.4	141	1.9
Total Number Households	1,738	100.0	2,198	100.0	2,573	100.0
Family Households**	1,425	82.0	1,778	80.9	2,069	80.4
Female Heads of Households**	51	2.9	163	7.4	188	7.3
Non-family Households**	313	18.0	420	19.1	504	19.6
Population Age 65+	402	7.4	554	8.6	655	9.0
Population Under 18	1,780	32.7	1,832	28.3	1,997	27.5
Average Household Size	--		2.95 persons		2.82 persons	

Source of above table: 1980, 1990 and 2000 U.S. Census Bureau

*All non-White classifications

** Percent of all households

Non-family households are becoming a more significant part of Sterling, representing now about 20% of households. Non-family households increased by 84 households between 1990 and 2000 and by 191 households between 1980 and 2000 but as a percentage of all households, they have grown only slightly, from 18.0% to 19.6%. While family households increased by 644 households from 1980 to 2000, they decreased as a proportion of all households from 82.0% to 80.4%. An additional 137 female-headed households were added to the population from 1980 to 2000 but did not increase proportionately to all households from 1990 and 2000. The average number of persons per household declined somewhat from 2.95 persons in 1990 to 2.82 in 2000, confirming the shift to smaller households in Sterling as well as throughout the region, state and nation.

The town's population is aging, presenting another factor contributing to smaller household size. In 2000 there were 655 persons 65 years of age or older, representing 9.0% of the population, as compared to 402 or 7.4% of the total population in 1980. Residents between the age of 55 and 64 increased by 56% from 1980 to 2000 and those between 65 and 74 increased by 66% during the same time period. But the percentage in these age categories decreased somewhat between 1990 and 2000 (2.4%), suggesting a slow down in growth of this population segment. Those residents over 75 years of age increased by 60% between 1980 and 2000, with the bulk of this growth occurring since 1990. The median age increased from 32 years of age in 1980 to 34.8 years in 1990 and to 38.1 years in 2000, an overall increase in age of 6.1 years over the two decades. This compares to an increase in age of 7.6 years in the region during the same time period. With a median age of 36.5 years, both Sterling and the Montachusett region have a comparable older population than the state as a whole, which also has a median age of 36.5 years.

The school-age population of those under 18 of age comprised almost one-third of the 1980 population, or 1,780 young persons, but is down proportionately to 27.5% of the population in 2000, or almost 2,000 individuals. The number of children under age five decreased by 5.1% from 1990 to 2000, but children age five to 19 increased by 155 persons or 10.4%. Unless there is an unexpected increase in housing units, it is probable the town's school-age population will decline somewhat over the next few years.

Demographic trends also suggest that those entering the labor market and forming new families in Sterling are dwindling in numbers, reducing the pool of entry-level workers and service employees. For example, those between the ages of 20 and 34 decreased in numbers, from 1,385 in 1980 to 1,051 in 2000, a 31.8% decline despite overall population growth. "As our workforce ages, the ability of our region to accommodate younger workers and their families becomes an increasingly critical economic issue. High tech and manufacturing businesses rely on younger workers to fill job ranks. Without a steady influx of new talent, these industries face a declining labor force. Other fields, including teaching, nursing, and public works and public safety, all rely on young workers to balance attrition due to retirements."¹⁰

On the other hand, there was a substantial population increase among those between the ages of 35 and 54, involving an additional 1,465 new residents in this age range between 1980 and 2000 or a percentage change of 113%. This demonstrates that new residents must wait to enter their higher wage-earning years in order to purchase a home in Sterling given current market conditions.

Additional information on the distribution of ages is presented in the following table:

¹⁰ Montachusett Regional Planning Commission, Community Development Plan, June 2004.

**Age Distribution
1980-2000**

Age Range	1980		1990		2000	
	#	%	#	%	#	%
Under 5 Years	437	8.0	509	7.8	483	6.7
5 – 17 Years	1,343	24.7	1,323	20.4	1,514	20.9
18 – 20 Years	247	4.5	262	4.0	134*	1.8
21 – 24 Years	269	4.9	275	4.2	275**	3.8
25 – 34 Years	1,024	18.8	2,333	36.0	776	10.7
35 – 44 Years	768	14.1			1,454	20.0
45 – 54 Years	523	9.68	770	11.9	1,302	17.9
55 – 59 Years	208	3.8	231	3.6	408	5.6
60 – 64 Years	219	4.0	224	3.5	256	3.5
65 – 74 Years	212	3.9	361	5.6	352	4.9
75 – 84 Years	153	2.8	147	2.3	247	3.4
85 Years and Over	37	0.7	46	0.7	56	0.8
Total	5,440	100.0	6,481	100.0	7,257	100.0
Median Age	32 years		34.8 years		38.1 years	

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

* Figure represents ages 18 and 19.

** Figure represents 20 – 24 age range

Income Distribution

Residents of Sterling are also becoming significantly more affluent. The median household income in 1999 was \$65,188, up 32% from the 1989 median income of \$49,335 and almost triple the median income in 1979 of \$21,840 not adjusted for inflation. A comparison of 1979, 1989 and 1999 income figures is presented in the table below.

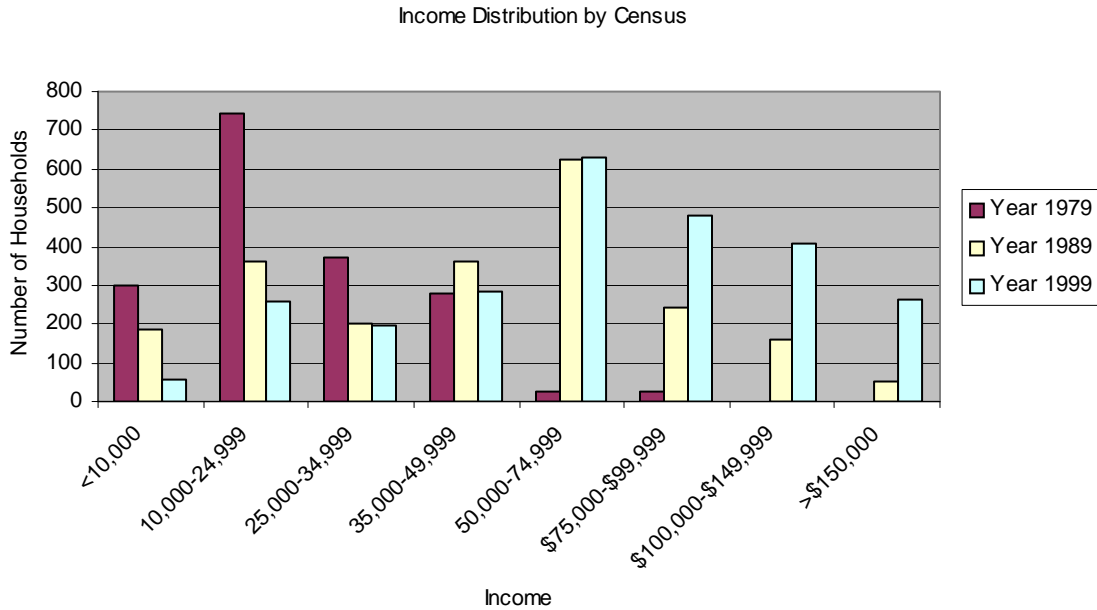
**Income Distribution by Household
1979-1999**

	1979		1989		1999	
	#	%	#	%	#	%
Under \$10,000	301	17.3	184	8.4	55	2.1
10,000-24,999	741	42.6	362	16.5	258	10.0
25,000-34,999	371	21.4	202	9.2	196	7.6
35,000-49,999	277	15.9	363	16.6	284	11.0
50,000-74,999	24	1.4	626	28.6	632	24.5
75,000-99,999	24	1.4	243	11.1	482	18.7
100,000-149,999			158	7.2	410	15.9
150,000 or more			51	2.3	262	10.2
Total	1,738	100.0	2,189	100.0	2,579	100.0
Median income	\$21,840		\$49,345		\$65,188	

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

The table above documents this trend as there were decreases in the numbers of households in all of the income ranges below \$35,000 from 1980 to 2000 while the numbers of households earning more than \$50,000 increased substantially over the two decades. Those earning more than \$100,000 grew from less than 24 in 1979 to 672 in 1999. The income distribution for those households that include children –

families – is somewhat higher with a median family income in 1999 of \$76,943, with 30% of all families earning more than \$100,000 and 6% earning more than \$200,000



The chart above clearly demonstrates the substantial increase in income levels for households in Sterling over the past two decades. Despite inflation these figures are dramatic, highlighting the changes that the town is confronting in terms of its residents and related to the escalation of housing prices.

These income levels are in striking contrast to those for Worcester County when viewed proportionately as demonstrated in the following table:

**Income Distribution by Household: Worcester County vs. Sterling
1999**

	Worcester County		Sterling	
	#	%	#	%
Under \$10,000	25,152	8.8	55	2.1
10,000-24,999	48,186	17.0	258	10.0
25,000-34,999	31,373	10.9	196	7.6
35,000-49,999	42,839	15.1	284	11.0
50,000-74,999	58,935	20.7	632	24.5
75,000-99,999	35,696	12.6	482	18.7
100,000-149,999	28,596	10.1	410	15.9
150,000 or more	13,441	4.7	262	10.2
Total	284,218	100.0	2,579	100.0
Median income	\$47,874		\$65,188	

Source: 1990 and 2000 U.S. Census Bureau

The percentage of those earning less than \$35,000 is about 37% for Worcester County in contrast to approximately 20% for the town of Sterling, whereas those earning above the \$100,000 threshold included approximately 15% of households in Worcester County versus more than 25% of the households in Sterling. Sterling’s median income is also 36% higher than the median for the county as a whole.

Despite increasing household wealth, there still remains a population living in Sterling with very limited financial means. Of the 2,579 total households counted in 1999, 55 or 2.1% had incomes of less than \$10,000 and another 258 or 10.0% had incomes between \$10,000 and \$24,999, representing extremely low-income levels. Most of these households having incomes at or below 30% of area median income. Approximately 200 additional households had incomes within what public agencies would categorize as very low-income levels, defined as within 50% of area median income. The total number of households within these income categories was at least 500 in 2000 or about 20% of all Sterling households, not an insignificant number given the general affluence of the community. Additionally, based on this income information, more than one-third or 37% of Sterling’ households (or about 960 households) would likely qualify for housing assistance as their incomes are at or below 80% of area median income. This is defined by the U.S. Department of Housing and Urban Development (HUD) as \$56,700 for a family of four.¹¹ Approximately two-thirds or 65% of local households (1,666 households) would qualify as middle-income using the state’s definition as has been prescribed by Executive Order 418 of \$87,600.

Poverty

The 2000 census indicates that the absolute numbers of those with incomes below the poverty level (\$9,310 for an individual and \$15,670 for a family of three in 2004) has decreased from 223 in 1980 to 213 in 2000 after a spike in 1990 of 299 individuals. While the relative numbers of those in poverty remains relatively low, clearly there remains a population within the town of Sterling, including 4.5% of all children under the age of 18 and 7.8% of all those over the age of 65, who have substantial income limitations and likely require public assistance to meet their housing needs.

The following table presents this data on poverty in Sterling.

**Poverty Status
1979-1999**

	1979		1989		1999	
	#	%	#	%	#	%
Individuals Below Poverty	223	4.1	299	4.6	213	2.9
Families	57	4.0	70	3.9	35	1.7
Related Children Under 18 Years	51	2.9	134	7.3	90	4.5
Individuals 65 and Over	20	5.0	17	3.1	38	5.8

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

*Percentage of total population

**Percentage of all families

***Percentage of all related children under 18 years

****Percentage of all individuals age 65+

This data should also be viewed in light of the town’s limited affordable housing inventory of 44 subsidized housing units. This number is insufficient to cover the housing affordability issues likely confronting this very vulnerable population, especially since most of the existing units are age-restricted.

¹¹ While these households’ incomes might be at or below 80% of area median income, many households are likely to have assets that are more than the allowable state or federal standards that would disqualify them from housing assistance.

Education

The educational attainment of Sterling residents is improved. In 2000, 91.7% of those 25 years and older had a high school diploma or higher, and 35.8% had a Bachelor's degree or higher, up from the 1990 figure of 32.6% with a college degree and higher than the 2000 figures of 27.0% for the county. Those enrolled in school (nursery through graduate school) totaled 1,894 or 26.1% of the population, and those enrolled in nursery school through high school totaled 1,641, 86.6% of those who are enrolled in school and 22.6% of the total population.

Disability Status

Of the 2000 population age 5 to 20 years old, 64 or 3.7% had some disability. Of those aged 21 to 64, 435 or 9.8% claimed a disability. Sixty-nine percent of this group was employed, leaving another 31.0% who were unemployed, likely due to disability. In regard to the population 65 years of age or older, 332 or half of those in the age group claimed some type of disability. These levels of disability particularly that of seniors, represent significant special needs within the Sterling community.

Residency in 1995

Almost one-third of the persons in Sterling over the age of five living in Sterling in 2000, or 2,189 residents, moved to a new residence in Sterling from 1995 to 2000. Of these, 25.5% came from the same county, 6.6% came from a different county, with 2.8% coming from the same state and 3.8% coming from a different state or elsewhere, representing significant mobility of the town's population.

Housing Characteristics

The 2000 census counted 2,637 total housing units in the town of Sterling, up 14.2% from 2,308 units in 1990 and a 47.0% increase from 1,793 units in 1980. Out of total housing units in 2000, Sterling had 2,573 occupied units, of which 2,186 or 85.0% were owner-occupied while the remaining 387 units or 15.0%, were rental units. These figures represent a considerably higher level of owner-occupancy in 2000 than that of Worcester County where 64.1% of the units were owner-occupied. In the Montachusett region 67% were owner-occupied and in the state as a whole the figure was 62%. Total growth in Sterling's housing stock from 1980 to 1990 was 515 units and from 1990 to 2000 it was 329 units. This includes an increase in the rental stock between 1980 and 1990 of 115 units. However, the number of rental units decreased by 36 units from 1990 to 2000, most likely because houses that had been rented shifted over to owner-occupancy or condo conversion.

The following table includes a summary of housing characteristics.

**Housing Characteristics
1980-2000**

	1980		1990		2000	
	#	%	#	%	#	%
Total # Housing Units	1,793	100.0	2,308	100.0	2,637	100.0
Occupied Units *	1,731	96.5	2,198	95.2	2,573	97.6
Occupied Owner Units **	1,423	82.2	1,775	80.8	2,186	85.0
Occupied Rental Units **	308	17.8	423	19.2	387	15.0
Total Vacant Units/ Seasonal, Recreational or Occasional Use*	45/4	1.2/0	110/33	4.8/1.4	64/26	2.4/1.0
Average House- Hold Size of Owner-Occupied Unit	--		3.10 persons		2.94 persons	
Average House- Hold Size of Renter-Occupied Unit	--		2.30 persons		2.14 persons	

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

* Percentage of total housing units

** Percentage of occupied housing units

The 2000 census counted 2.4% of the housing stock, or 64 units, as vacant, of which 26 units involved seasonable, recreational or occasional use. The homeowner vacancy rate was 0.3%, down only marginally from 1.4% in 1990; and the rental vacancy rate of 2.3% also represented a decline from 3.0% in 1990. The change in numbers involved in these vacancy statistics is insignificant as any level below 5% is considered to represent tight market conditions and the rates remain well below that of the state and nation as a whole.

**Vacancy Rates
1990 and 2000**

Vacancy Rates by Tenure				
	1990	2000	MA 2000	Nation
Rental	3.0%	2.3%	3.5%	5%
Owner-Occupied	1.4%	0.3%	0.7%	3%

The 2000 census indicates that a great majority of the existing housing units are in single-family structures involving 2,236 units or 84.8% of Sterling's housing units, significantly higher than the 56.2%

level for the county. There were 324 units in two to four-unit buildings which means that Sterling has a relatively small amount of multi-family housing. Forty-nine units were in five to nine-unit structures. “Generally, the majority of multi-family units are rental properties... that is not unusual for a community like Sterling and there are towns that have a higher percentage of single-family units; Ashby (96.8%), Ashburnham (94.4%), Groton (86.3%), Hubbardston (90.6%), Phillipston (95.8%), Royalston (87.5%), and Westminster (92%).”¹² There were no units in very large multi-family structures of more than ten units and there were 28 mobile homes.

**Units in Structure
1990 – 2000**

Type of Structure	1990		2000	
	#	%	#	%
1 Unit Detached	1,861	80.6	2,116	80.2
1 Unit Attached	65	2.8	120	4.6
2 to 4 Units	315	13.6	324	12.3
5 to 9 Units	28	1.2	49	1.9
10 or More Units	12	0.5	0	0
Other	27	1.2	28	1.1
Total	2,308	100.0	2,637	100.0

Source: 1990 and 2000 U.S. Census Bureau

More than 60% of Sterling’s housing stock, 1,645 units, was built prior to 1970. Four hundred sixty-eight units or 17.7% of the housing stock was built prior to World War II, which is well below the state average of 34.5% and the county figure of 32.9%. There were significant numbers of units produced between 1970 and 1990, however, totaling 1,075 units or almost 40% of the housing stock. Another 465 units were produced from 1990 through March of 2000, representing a significant portion of newer housing in Sterling that is likely to be in decent condition.

**Year Structure Built
2000**

	#	%
1999 to March 2000	35	1.3
1995 to 1998	265	10.0
1990 to 1994	165	6.3
1980 to 1989	527	20.0
1970 to 1979	548	20.8
1960 to 1969	264	10.0
1940 to 1959	365	13.8
1939 or earlier	468	17.7
Total	2,637	100.0

Source: 2000 U.S. Census Bureau

Sterling had a fairly comparable level of growth to that of the county and its neighbor Lancaster, and only a bit higher level of recent development than Clinton or the state. But this is less than the town of Harvard as shown in the table below.

¹² Montachusett Regional Planning Commission, Community Development Plan, June 2004.

**Recent Housing Development
Sterling and Neighboring Communities, Worcester County and the State**

Community	# Units Built Since 1970	% Units Built Since 1970
Clinton	1,498	25.6
Harvard	982	44.1
Lancaster	745	34.8
Sterling	992	37.6
Worcester County	190,245	36.6
State	847,922	32.3

Source: 2000 U.S. Census Bureau

The median number of rooms per housing unit was 6.4, indicating that the average home had three bedrooms. The number of rooms per dwelling ranged from four rooms or less in 430 units (16.3%) to nine rooms or more in 403 units (15.3%), representing a relatively small number of very large or very small residential units. There were no units involving single rooms. More than 75% of households had two or more vehicles, which is not surprising given Sterling's rural location without access to public transportation.

The building permit data summarized below indicates a high of 73 permits issued in 1997 to a low of 29 permits issued in 2004, with an average of 54 permits per year over the past ten years but down to a 39-unit average from 2000 to 2004. The relatively small amount of permit activity in 2005, 13 permits through October, indicates a continuing slow down of new construction activity. This data also indicates that since the 2000 census, another 208 units have been added to Sterling's total housing stock.

Building Permit Data 1994 through October 2005

Year	# Building Permits for New Units
1994	44
1995	50
1996	52
1997	73
1998	69
1999	55
2000	41
2001	45
2002	42
2003	38
2004	29
As of October 2005	13
Total (1994-2004)	538
Average Per Year (1994-2004)	54 permits
Average Per Year (2000-2004)	39 permits

Source: Sterling Building Department

2. Housing Market Conditions

Ownership

Census data also provides information on housing values for homeownership and rental. The census indicates that the 2000 median house value was \$195,700, up 14% from the median in 1990 of \$171,400.

According to the 2000 census, Sterling still had a fairly sizable supply of affordable homes with more than 1,000 or 53% valued at less than \$200,000 including 107 valued at less than \$100,000.¹³

**Housing Values
2000**

Value	Number of Units	% Units
Less than \$50,000	37	1.9
\$50,000 to \$99,999	70	3.6
\$100,000 to \$149,999	267	13.8
\$150,000 to \$199,999	650	33.6
\$200,000 to \$299,999	617	31.9
\$300,000 to \$499,999	284	14.7
\$500,000 to \$999,999	7	0.4
\$1 million or more	0	0.0
Total	1,932	100.0
Median (dollars)	\$195,700	

Source: 2000 U.S. Census Bureau

Housing prices in Sterling are high in comparison to Worcester County with a median house value of \$146,000. Census data is derived primarily from Assessors' information that typically underestimates market value and more updated market data is tracked by The Warren Group from Multiple Listing Service data based on actual sales. This market information since 1988 is summarized in the following table:

**Median Sales Prices
January 1988 - April 2005**

Year	Months	Single-family	Condo (#)	All Sales	# Sales
2005	Jan – Apr	\$325,700	0	\$334,100	38
2004	Jan – Dec	306,250	226,500 (4)	305,000	163
2003	Jan – Dec	285,000	195,500 (5)	285,000	132
2002	Jan – Dec	282,250	176,000 (5)	290,000	155
2001	Jan – Dec	260,000	176,000 (7)	250,635	138
2000	Jan – Dec	227,450	139,500 (4)	215,000	153
1999	Jan – Dec	221,145	133,500 (7)	178,000	180
1998	Jan – Dec	214,402	126,750 (12)	179,774	198
1997	Jan – Dec	175,000	122,500 (6)	158,000	171
1996	Jan – Dec	170,000	121,500 (8)	150,000	135
1995	Jan – Dec	157,550	120,000 (5)	136,000	132
1994	Jan – Dec	145,000	93,730 (5)	127,000	141
1993	Jan – Dec	143,000	114,500 (4)	124,500	160
1992	Jan – Dec	145,000	105,000 (7)	133,000	128
1991	Jan – Dec	140,000	0	123,500	116
1990	Jan – Dec	153,500	105,000 (5)	140,000	105
1989	Jan – Dec	151,500	149,950 (6)	150,000	118
1988	Jan – Dec	162,850	152,712 (12)	150,000	142

Source: The Warren Group, June 10, 2005

¹³ Census housing values are derived from Assessor's data.

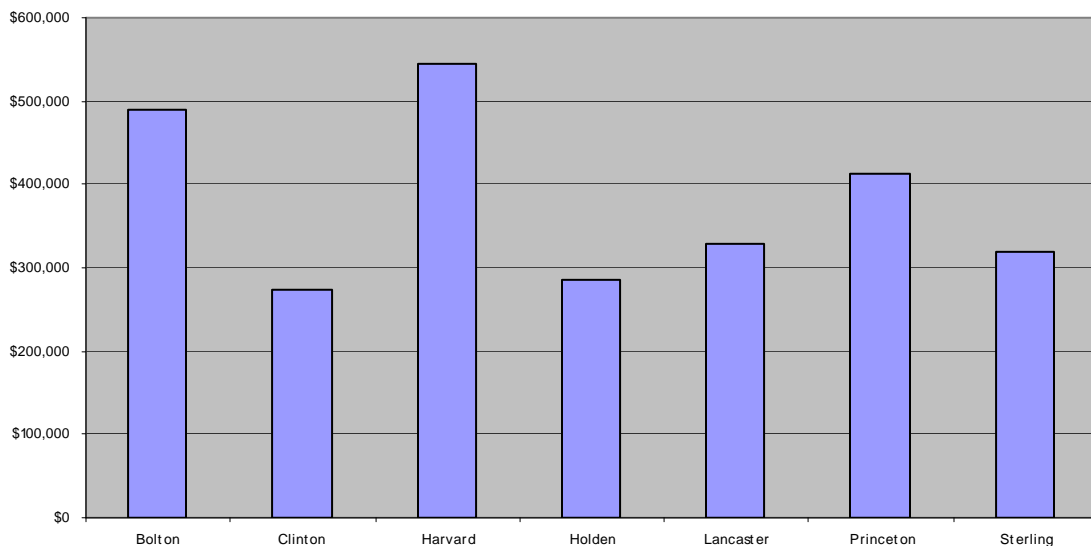
Very few houses that come on the market are listed for less than \$300,000. The average sales price of a single-family home in 2004 was \$306,250. The number of sales in Sterling ranged from a low of 105 sales in 1990 to a high of 198 in 1998. In 2004 there were 163 total sales with an average sales price for single-family homes of \$306,250, affordable to households earning at least \$90,000 annually, well above the town median income in 1999 of \$65,188. After a decline in market prices in the early to mid-1990's, due largely to the economic slump, the market began to revive in the late 90's, but not surpassing the 1988 median sales price until 1997. Since then the market has escalated precipitously, up 70% from \$179,774 in 1998 to \$305,000 by the end of 2004 for all sales. The condominium market is relatively small in Sterling, accounting for no more than a dozen sales in any year and prices have been about two-thirds of single-family home prices. The average price of condos ranged from a low of \$93,730 in 1994 to \$226,500 in 2004, a 142% increase during these ten years.

Sterling is in between the higher end price range of \$489,000 and \$545,000 in Bolton and Harvard, respectively, and the lower range of \$273,000 and \$285,000 in Clinton and Holden, respectively, based on market data for all sales as of July 2005 (additional values for all sales from the end of 2004 are included in the parentheses)¹⁴.

- Bolton -- \$489,000 (\$489,000)
- Clinton -- \$273,000 (\$250,000)
- Harvard -- \$545,000 (\$527,000)
- Holden -- \$285,000 (\$263,000)
- Lancaster -- \$330,000 (\$299,900)
- Princeton -- \$413,800 (\$299,900)
- Sterling -- \$318,250 (\$305,000)

The chart below looks at the median sales data of these neighboring communities for all sales as of July 2005.

Median Sales Prices: Sterling and Neighboring Communities



¹⁴ The Warren Group, September 6, 2005.

Updated 2005 data from the Sterling Assessor’s Office included almost 70 homes assessed for less than \$200,000, including 28 condominiums and two, two-family homes. Of the 74 condos included in the Assessor’s listings, all were assessed for less than \$255,000, representing a substantial component of Sterling’s existing more affordable housing supply.

Recent real estate listings, however, do not include any homes available in Sterling for under \$200,000 that would be affordable to low- and moderate-income households, and even homes for less than \$300,000 have dwindled over the past few years with only two homes for sale under this amount. Only one home, priced at \$299,900, sold recently involving a three-bedroom, in-town colonial built in 1830. On the other hand, single-family homes in the price ranges above \$500,000 have climbed substantially to comprise almost about 40% of current listings. The average price of single-family homes that have sold during the last year was \$507,000. While a local realtor has observed more modest price increases as opposed to more dramatic price appreciation over the past four years, a recent article in *Banker & Tradesman* entitled “2004 Market Defies Expectations as Home Prices Rise, Sales Soar” indicated that median home prices have increased 11% in 2004 alone and sales activity increased 19% through May 2004 for the Boston area.¹⁵ Sterling is certainly a testament to these increasing price increases as the thousand or so affordable units, priced at less than \$200,000 as counted in the 2000 census, have evaporated and are now priced beyond the reach of most town residents.

Rentals

The 2000 census indicated that there were 387 occupied rental units in Sterling and that the median gross rental was \$563, down 16% from the 1990 median rent of \$654 but 108% higher than the 1980 rental of \$271. Rental units comprised about 15% of Sterling’s housing stock, compared with 35.9% for Worcester County as a whole. Worcester County had a median gross rent of \$580, somewhat higher than that tracked in the 2000 census for Sterling. The decrease in median rent from 1990 to 2000 may be a result of some of the more costly 1990 rentals, including single-family homes and condominiums, being converted to owner-occupancy.

Data on the costs of rental units from 1980 through 2000 is included in the following table:

**Rental Costs
1980-2000**

Gross Rent	1980		1990		2000	
	#	%	#	%	#	%
Under \$200	53	19.6	28	6.4	0	0.0
200-299	123	45.4	7	1.6	24	6.2
300-499	69	25.5	61	14.0	62	16.1
500-749	8	3.0	226	51.8	150	39.0
750-999			33	7.6	59	15.3
1,000-1,499			61	14.0	49	12.7
1,500 or more					9	2.3
No cash Rent	18	6.6	20	4.6	32	8.3
Total	271	100.0	436	100.0	385	100.0
Median rent	\$271		\$654		\$563	

Source of above table: U.S. Census Bureau

¹⁵ The Warren Group, *Banker & Tradesman*, July 5, 2004.

Like housing values for homeownership units, rental values tend to be underestimated in the census data and actual market rents are typically much higher as verified by local realtors. Current listings of well maintained, two-bedroom duplex units with at least 1 ½ baths and full basements are renting in the range of \$950 to \$1,000. Two-bedroom condominiums are fetching higher rents of between \$1,250 and \$1,300. The rents of other rental units are more difficult to track as many are located in multi-family properties closer to the Town Center or include accessory units, and the individual property owners, not realtors, typically rent these units directly by word of mouth.

B. Cost Analysis of Existing Market Conditions

As housing prices rise steadily more than household income, the affordability gap widens, defined as the gap between the cost of housing and the proportion of income that is reasonable to pay for housing, typically defined as 30% of gross income. To afford the median sales price of a single-family home in Sterling of \$306,250 (based on The Warren Group information for 2004), a household would have to earn approximately \$90,000, significantly more than the 2000 median income of \$65,188.

The borrowing power of the average household, based on the median household income of \$65,188, is about \$214,000,¹⁶ somewhat higher than the median house value as reported in the 2000 census of \$195,700. But it is important to note that this house value is approximately \$91,000 lower than the actual existing median sales prices for all types of sales (i.e., single-family, multi-family and condominiums) of \$305,000 based on 2004 sales and requires an annual income of more than \$90,000.¹⁷ The affordability gap is then about \$91,000 - the difference between the price of the median priced home and what a median income household can afford. The affordability gap increases to \$140,000 if the analysis focuses on those low- and moderate-income households earning at or below 80% of area median income, or \$51,050 for a family of three (the average size household in Sterling is 2.82 persons). This group is unable to afford a house costing much more than \$165,000. In fact, approximately two-thirds of Sterling’s households had insufficient income to afford the median sales price of \$305,000 based on 2000 census data.

The following table presents a range of homes that have been listed or sold recently, from a condominium at Jill Lane to progressively more expensive homes priced well beyond the means of most Sterling residents.

Affordability of Existing Housing

House Type	Recent Sale/List Prices	Estimated Annual Income Required
Condominium/Jill Lane complex Two-bedroom, 1 ½ bath townhouse, 1,223 sq. ft., 2-car garage, part of a 15-building complex with 4 units/ building, built in 1986 (\$165 condo fee)	\$250,000	\$75,000
In-town colonial, 3 bedrooms, 2 baths, 1, 748 sq. ft. of living space, built in 1830	\$299,900	\$82,000

¹⁶ Assumes owners pay no more than 30% of their income on housing.

¹⁷ Figures based on 95% financing, interest of 6.5%, 30-year term, annual property tax rate of \$13.03 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 percent of loan amount, and rents for two-family homes of \$600.

Condominium/Anglers Landing Waterfront townhouse, 2 bedrooms, 2 ½ baths, 1,918 sq. ft. of living space, 1 garage, fireplace, loft, deck, screened-in patio, built in 1986 (\$250 fee)	\$343,000	\$104,000
Two-family home on 1 level with frontage on Still River, one 2-bedroom unit with 1 bath and another 1-bedroom unit with 1 bath, fireplace, no garage, built in 1958	\$350,000	\$74,000
New colonial with 3 bedrooms, 2 ½ baths, 1,940 sq. ft. of living space, 2 garages, on 2 acres in Village Lane development across from Sterling Country Club	\$475,000	\$135,000
Cape in Spring Hill area, 3 bedrooms, 2 ½ baths, 2,184 sq. ft. of living space, 2-car garage, fireplace, deck and porch, cathedral ceilings, gourmet kitchen, 2 acres, built in 1991	\$444,900*	\$137,000
Colonial, 5 bedrooms, 3 ½ baths, 3,800 sq. ft. of living space, 2 garages, fireplace, deck, in ground pool, Jacuzzi, backs onto MDC land, basement, on 2 acres, built in 1995	\$649,900*	\$190,000
Victorian-style colonial, 4 bedrooms, 3 ½ baths, 4,200 sq. ft. of living space, 2 garages, custom amenities, library, master suite, views, on 6.5 acres, built in 2004	\$1,300,000	\$371,000

Source: Multiple Listing Service, September 16, 2005.

* Currently listed properties.

As is evident in the above table, all of the current listings and recently sold properties have been beyond the means of not only those earning within 80% of area median income, a requirement of housing affordability under Chapter 40B, but also are too expensive for households earning at or below the town's median income of \$65,188. As more homes emerge on the market with sale tags of \$500,000 and up, fewer existing residents will be able to afford them as almost all of Sterling's households had incomes below \$200,000 in the last census. However, it is important to recognize that those who have owned their homes for some time are likely to have gained significant assets, particularly through the escalating value of their land, despite potentially limited incomes.

In regard to rentals, the gross median rent of \$563, according to the 2000 census, requires an income of about \$22,520, which is within the means of low- and moderate-income households. Nevertheless, approximately 270 or 10% of Sterling's households would still be unable to afford to rent at this level. Local realtors indicate that market rental listings are actually higher, approximately \$1,000 for two-bedroom duplex apartments and \$1,250 for two-bedroom condominiums limiting affordability to households earning at least \$40,000 for the duplex and \$50,000 for the leased condos.

While current housing market data tells us that approximately two-thirds of town residents, or about 1,700 households, do not have sufficient incomes to afford the median sales price of \$305,000, and about 10% of town households cannot afford the median rent of \$563 per month, it is also useful to identify numbers of residents who are currently living beyond their means due to their current housing costs. The 2000 census provides data on how much households spend on housing whether for ownership or rental. Such information is helpful in assessing how many households are overspending on housing or encountering housing affordability problems, defined as spending more than 30% of their income on housing. Based on 1999 data, the census indicated that 133 or 6.9% of the homeowners in Sterling are spending between 30% and 34% of their income on housing and another 263 or 13.6% are spending more than 35% of their income on housing expenses. In regard to renters, 23 renters or 6.0% are spending between 30% and 34% of their income on housing and another 65 or 16.9% are allocating 35% or more for housing. This data suggests that 484 households or 18.8% of all Sterling households are currently living in housing that is by common definition beyond their means and unaffordable.

HUD provides additional data on housing affordability problems through its CHAS Report. This report, based on 2000 census data for Sterling, indicates the following:

- 20.7% of all households, or 533 households, were spending too much (more than 30% of income) for housing including 5.9%, or 152 households, who were spending more than 50% of their income on housing-related expenses.
- Almost one-half of elderly renters were spending too much (more than 30% of income) on housing and 14.3% were spending more than half their income on housing.
- About one-third of elder homeowners were spending too much (more than 30%) of their income on housing and 11.8% were spending more than 50% of their income on housing.

C. Affordable Housing Inventory

The state lists 44 affordable housing units in Sterling’s current state-approved Subsidized Housing Inventory, 1.69% of the total year-round housing stock in Sterling. Therefore, the town needs to produce at least 217 more affordable units to reach the state’s 10% goal based on the existing housing stock. Build-out projections estimate that Sterling can support 5,925 units of housing based on current zoning, which would require at least another 375 units be affordable to comply with the Chapter 40B goal. This is almost 550 over and above the current 44 units – a daunting task for a small rural community.

To be counted as affordable under Chapter 40B, housing must be dedicated to long-term occupancy of income-eligible households through resale or rental restrictions. The following table presents the income limits for the affordable units based on the 2005 HUD guidelines for the Worcester PMSA area, including the town of Sterling. It is directed to those earning at or below 80% of area median income adjusted by family size.

**Affordable Housing Income Limits for the Worcester PMSA
Based on 80% of Area Median Income for 2005**

Number of Persons in Household	Income Limit
1	\$39,700
2	45,400
3	51,050
4	56,700
5	61,250
6	65,800
7	70,350
8	74,850

Using these income guidelines a family of three (the average household size in Sterling is 2.82 persons) could afford to purchase a house for no more than approximately \$165,000. Based on housing market information described above, the Town no longer has homes available within this price.

1. Current Inventory

Sterling's Subsidized Housing Inventory includes the following:

- *Sholan Terrace*
Sholan Terrace was financed by the state's Chapter 667 Program for elderly and handicapped housing and is owned and managed by the Sterling Housing Authority. The Sterling Housing Authority contracts its day-to-day management operations out to the Leominster Housing Authority and meets monthly with its Executive Director to monitor progress. Each unit is approximately 380 square feet in size, comprised of a bedroom and a joined kitchen and living room. The waiting list currently includes six applicants and the length of wait varies considerably. While one vacancy a year is more typical, this year there has been six vacancies.
- *Pratts Junction*
The Zoning Board of Appeals approved this eleven-unit condominium project off of Pratts Junction Road on December 16, 2003, with four of the units designated as affordable. The developer has not yet started construction and has until mid-December to secure building permits before the comprehensive permit expires. Affordability restrictions require that the four units remain affordable in perpetuity.

2. Proposed Projects

In addition to the Pratts Junction project mentioned above, there are also several other Chapter 40B comprehensive permit projects that have been proposed to the Town including:

- *Chocksett Crossing*
This project involves the construction of a 45-unit condominium development consisting of nine buildings and other amenities located at the corner of Route 12 and Chocksett Road. The developer applied for the comprehensive permit on March 18, 2004, and the Zoning Board of Appeals is in the process of reviewing the results of a commissioned transportation study that indicated improvements need to be made to the intersection of Route 12 and Chocksett Road. There will be 12 affordable units, eight of which will be reserved for those who have a connection to the town of Sterling, referred to as community or local preference units.
- *Northgate Meadows*
Another developer initially proposed a 156-unit development to include rental and homeownership units off of Route 12 near the Leominster line. The developer filed his comprehensive permit application with the ZBA in April of 2005, but given the concerns raised by the Chapter 40B Review Committee the developer resubmitted his application, reducing the units to 72 rental units and increasing the number of ownership units from 12 to 84. Because access to the development is through Leominster, the developer will also have to seek approval from the City of Leominster for the project. Another complication is that an intermunicipal agreement for water and sewer services will have to be negotiated between the Town of Sterling and City of Leominster as water services

will require an easement to be accessed through Sterling and Leominster will have to agree to accept sewer discharge.

- A developer has recently approached Town officials to discuss his interest in developing a 186-unit condominium project under the state's Local Initiative Program (LIP) across from the Chocksett Crossing project.¹⁸ But the developer has not yet formalized his interest and submitted the necessary documents needed so that the Town and developer can submit their proposal to the state's Department of Housing and Community Development (DHCD) to secure site eligibility status and process the comprehensive permit. The development is targeted to those over 55 years of age, and one-quarter of the units, or 47 units, are planned to be affordable and eligible for inclusion in the Town's Subsidized Housing Inventory with prices estimated to be \$159,000 per unit.

It should also be noted that the developer of the Wicket Picket development off Redstone Hill Road, which is not a 40B project, committed \$1,700 in fees to mitigate against the impacts related to the development of 22 units as negotiated by the Planning Board. This funding has been dedicated to support affordable housing initiatives, some to cover the costs of preparing this Affordable Housing Needs Assessment and Housing Plan.

D. Gaps Between Existing Housing Needs and Current Supply

As the affordability analysis indicates in Section III.B above, significant gaps remain between what most current residents can afford and the cost of housing that is available. In fact the current homeownership market is becoming increasingly limited to those earning median income, while low- and moderate-income households are virtually shutout.

The Buildout analysis that was performed by the state's Executive Office of Environmental Affairs in 2001, projected that the town of Sterling could support a total of 5,925 housing units based on current zoning, suggesting that another 3,288 units can be accommodated. Additional development since 2001, however, brings this number closer to 3,100. The analysis also projected approximately 1,004 additional school children. Infrastructure requirements to support this added growth includes more than 2 million gallons of water per day and 3,983 tons of municipal solid waste per year, of which a projected 2,832 tons will be non-recyclable.

This analysis indicates that in order to meet the 10% state standard, the projected population growth would require at least an additional 375 units of affordable housing over and above the 217 units required based on the 2000 year-round housing unit count. Therefore, about 550 units of affordable housing will be required once build-out is obtained (once again this is premised on current zoning), though it is worth noting that the buildout analysis does not project how long it will take to achieve buildout. Based on past housing construction patterns, this goal would be remarkable and not likely achievable without a considerable investment of public and private resources and strong political will.

¹⁸ The Massachusetts Department of Housing and Community Development initiated the Local Initiatives Program (LIP) in 1990 to provide technical assistance to communities that are working with developers to produce affordable housing without state and federal subsidy programs. It was created to promote greater coordination and cooperation between developers and municipalities under the state's Chapter 40B comprehensive permit law in communities with less than 10% of its housing stock reserved for low- and moderate-income households (incomes at or below 80% of area median income).

Based on this Housing Needs Assessment, there are a number of key indicators that suggest there are significant local needs for affordable housing that go beyond what is required to meet the 10% state goal including:

1. Households with Limited Incomes

- Despite great wealth, there still remains a population living in Sterling with very limited means. Of the 2,579 total households counted in 1999, 55 or 2.1% had incomes of less than \$10,000 and another 258 or 10.0% had incomes between \$10,000 and \$24,999. These two groups represent extremely low-income levels, most of whom have incomes at or below 30% of area median income as defined by HUD. An additional 130 households had incomes within what public agencies would define as very low-income levels or within 50% of area median income. The total number of households within these three income categories was 443 households in 2000, or 17.2% of all Sterling's households, not an insignificant number given the general affluence of this small community.
- About 30% of Sterling's households, or approximately 800 households, would likely qualify for housing assistance as their incomes are at or below 80% of area median income defined by the U.S. Department of Housing and Urban Development (HUD) as \$56,700 for a family of four¹⁹
- The numbers of residents living in poverty has only declined somewhat between 1980 and 2000, from 223 to 213 following a significant increase in 1990 to 299 individuals. These residents have substantial income limitations and should have access to public assistance to meet their housing needs.

2. Disabilities and Special Needs

- There are a number of residents who have special needs and are disabled, including 64 or 3.7% of the school-age population, 435 or 9.8% of those 21 to 64 (about one-third of whom could not be employed), and 332 or almost half of those 65 years or older.
- Almost one-half of elderly renters were spending too much (more than 30% of income) on housing and 14.3% were spending more than half their income on housing.
- About one-third of elder homeowners were spending too much (more than 30%) of their income on housing and 11.8% were spending more than 50% of their income on housing.

3. Gaps in Affordability and Access to Affordable Housing

- Approximately 20% of Sterling residents, or almost 500 households, are currently living in housing that is by common definition beyond their means and unaffordable because their housing costs are more than 30% of their income, including 5.9%, or 152 households, who were spending more than 50% of their income on housing-related expenses.
- Recent listings indicate that there are no longer homes available in Sterling for under \$200,000 that would be affordable to low- and moderate-income households, and even homes for less than \$300,000 have dwindled over the past few years.
- Approximately two-thirds of Sterling's households, or about 1,700 households, could not afford to buy a home at the median sales price for all sales in 2004 of \$305,000. Houses at this price require an income of more than \$90,000, significantly more than the 2000 median income of \$65,188.
- The affordability gap is about \$91,000 - the difference between the price of the median priced home (\$305,000) and what a median income household can afford (\$214,000).²⁰ The

¹⁹ While these households' incomes might be at or below 80% of area median income, many households are likely to have assets that are more than the allowable state or federal standards that would disqualify them from housing assistance.

²⁰ Figures based on 95% financing, interest of 6.5%, 30-year term, annual property tax rate of \$13.03 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 percent of loan amount, and rents for two-family homes of \$600.

affordability gap increases to \$140,000 if the analysis focuses on those low- and moderate-income households earning at or below 80% of area median income.

- About 10% of town households cannot afford the median rent of \$563 per month requiring an income of \$22,520, if housing costs remain no more than 30% of household income.
- There is typically a few years wait for units that become available at Sholan Terrace, the town’s only affordable rental development.
- There are no assisted living units available in Sterling or affordable condominium units for seniors looking to downsize and reduce home maintenance burdens.
- Demographic trends suggest that escalating housing costs may be pricing younger individuals and families out of the housing market. Those entering the labor market and forming new families are 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 Sterling. For example, those who are between the ages of 20 and 34 decreased from 1,385 in 1980 to 1,051 in 2000, a 31.8% decline, despite overall population growth.

4. Housing Conditions

- More than 60% of Sterling’s housing stock, 1,645 units, was built prior to 1970, and 468 units or 17.7% of the housing stock was built prior to World War II. Houses in this age category are likely to have traces of lead-based paint, posing safety hazards to children as well as problems concerning aging system and structural conditions.
- Almost one-third of the persons in Sterling over the age of five living in Sterling in 2000, or 2,189 residents, moved to a new residence from 1995 to 2000. It is important to note that housing turnover drives up housing prices in an escalating real estate market, and typically the buyers are more affluent than sellers, fueling demographic changes in the community over time. This suggests that it is useful to find ways to reduce housing turnover, to maintain the affordability in the existing housing stock to the greatest extent possible, and to help those who want to remain in town afford to do so

There is therefore a sizable population of those who are seniors, have special needs and/or have very low incomes who have significantly reduced capacity to secure decent, safe and affordable housing in Sterling. A broader range of housing options is required to meet these varied needs.

Another look at the gaps between what housing is available in Sterling and what residents can afford to pay is demonstrated in the following affordability analysis.

**Rental Unit Need/Demand Analysis
2000 to 2005**

Income Group	Income Range*	Affordable Rent	# Households** 2000/2005	# Existing Units*** 2000/2005	Deficit/ Surplus 2000/2005
Less than 30% of AMI	\$14,700 and less	Less than \$368	65/ 41	45/ 40	- 20/- 1 unit(s)
Between 30% and 50% of AMI	\$14,701 to \$24,500	\$369 to \$612	40/ 25	108/ 91	+ 68/+ 66 units
Between 50% and 80% of AMI	\$24,501 to \$39,150	\$613 to \$980	90/ 89	137/ 142	+ 47/+ 53 units

Source: 2000 HUD SOCDs CHAS Data – Housing Problems Output for All Households

* Based on 2000 HUD Income Levels for average size household of three persons.

** It can be assumed that incomes have increased since 2000, which would likely reduce some of these numbers somewhat. The 2005 projections are based on one-half the percentage change in these income categories between 1989 and 1999 per the census, assuming a similar rate of change.

*** The projections assume that 40 of the units in the lowest income category are subsidized affordable housing stock and are further based on one-half the percentage change in the numbers in these categories between the 1990 and 2000 census, assuming a similar rate of change.

While the above table indicates that there is only a very limited shortage of rental units for those in the very lowest income level of less than 30% of area median income, which was \$14,700 in 2000, the available data was based only on existing renters in 2000 and does not reflect pent-up regional need for additional rental opportunities. HUD data further suggests that almost half of elderly who rent were spending too much on housing and there is likely to be a need for more affordable rental options for seniors.

The table below focuses on homeownership and demonstrates the waning supply of housing priced within the affordable range of many existing households and suggests a substantial need for more affordable homeownership opportunities in Sterling.

**Homeownership Need/Demand Analysis
2000 to 2005**

Income Group	Income Range*	Affordable Sales Prices	# Households 2000/2005**	# Existing Units 2000/2005***	Deficit/Surplus 2000/2005
Less than 80% of AMI	\$39,150 and less	Less than \$124,000	443/ 346	235/ 2	- 208/ - 344 units
Between 80% and 100% of AMI	\$39,151 to \$49,000	\$124,000 to \$147,000	182/ 156	135/ 5	- 38/ - 151 units
Between 100% and 150% of AMI	\$49,001 to \$73,500	\$147,000 to \$237,000	550/ 550	882/ 182 (includes 65 condos)	+ 332/ - 368 units

Sources: 2000 HUD SOCDs CHAS and Census data, Sterling Assessor’s Office

*Based on 2000 HUD Income Levels for average size household of three persons.

** It can be assumed that incomes have increased since 2000, which would likely reduce some of these numbers somewhat. The 2005 projections are based on one-half the percentage change in these income categories between 1989 and 1999 per the census, assuming a similar rate of change.

*** Updated 2005 assessments from Sterling Assessor’s Office

E. Obstacles to Development

It will be a great challenge for the town of Sterling to create enough affordable housing units to meet the state’s 10% affordable housing standard, production goals and local needs, particularly in light of current constraints to new development including the following:

1. Infrastructure

As mentioned earlier, a major constraint and cost factor for new development relates to infrastructure, particularly the total lack of sewer services and incomplete coverage of water services that raise concerns among residents about impacts of any new development on the environment, water supply and quality in particular. Residents must

rely solely on septic systems unless special treatment facilities are integrated into the new development, a costly measure that requires a fairly large project to render feasible. About 70% of Sterling's residents have water services, covering about 66% of the town's geographic area. The more outlying sections of town are reliant on wells. In these areas groundwater resource protection is largely accomplished through two-acre zoning and open space preservation.

Community residents have also voiced concerns over the availability of roads, police and fire protection, and other Town services to accommodate new development and the resulting cost implications associated with extending these services.

It will be important for any new affordable housing development to address these infrastructure constraints, water and septic issues in particular, and insure that there are sufficient amounts of subsidies incorporated into the project to adequately service new residents and protect the environment.

2. 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. Like most localities in the Commonwealth, Sterling's Protective By-law embraces large-lot zoning of one to two acres that maintains low housing densities and severely constrains the construction of affordable housing. Most of the land area in Sterling is zoned for two-acre lots, although there are a number of exceptions including:

- One-acre zoning is allowed in the neighborhoods near the Town Center and towards West Boylston along Worcester, Bean, and Boutelle Roads.
- Multi-family development (meaning three or more units per structure in the By-law) is allowed by Special Permit in the Neighborhood Residence and Rural Residence/Farming zoning districts with lot areas per dwelling unit of at least 10,000 square feet or 15,000 square feet per unit, respectively. The By-law includes design requirements to make sure that the units are "consistent in scale and site design with the single-family residential character of the Town of Sterling; to protect the environment; to ensure traffic and pedestrian safety; and to minimize visual impacts".²¹ These requirements include that structures be located at least 200 feet from adjacent properties and public ways, not more than 5% of the units can have more than two bedrooms, among many other criteria, insuring that these developments are hidden and minimize the number of children.

The Zoning By-law also includes a provision for the phasing of development "to promote orderly growth in the town of Sterling, consistent with the rate of residential growth over the last seven (7) calendar years, to phase growth so that it will not unduly strain the community's ability to provide basic public facilities and services, to provide the town, its boards and its agencies information, time, and capacity to incorporate such growth into the Master Plan for the community, as may be amended, and to preserve and enhance existing community character and the value of property".²² The Town caps the number of building permits that can be processed to not more than 30 dwelling units per year for each of ten years following May 11, 1998, which applies to any proposed division or combination of properties under the same ownership and contiguous. This requirement will further constrain the Town's ability to meet production goals for affordable housing unless such housing is processed through a comprehensive permit that

²¹ Section 4.2.3 of Sterling's Protective By-law.

²² Town of Sterling Protective By-law, Section 4.3.

would then override the by-law. The provision also includes accessory apartments, which are allowed under the by-law by special permit.

3. School Enrollment

Build-out projections indicate that the school age population should increase by another 1,004 children, however there are no reliable projections as to when buildout is likely to occur. This added population would place a significant burden on a school system. While the percentage of the school age population under 18 years has decreased from about 33% in 1980 to less than 28% in 2000, the actual numbers in this age category increased by approximately 250 students during this time period to 655 children. Enrollment projections for Sterling from the New England School Development Council indicate that total school enrollment has increased from 1,151 students in 1989 to a high of 1,285 students in 2000, involving an 11.6% increase of 134 students during this time period. Since then enrollment has decreased somewhat to 1,277 students in 2004 and are projected to keep fairly steady through the next few years, decreasing only to 1,271 students in 2009. Given a \$70.5 million investment in the expansion of the regional high school as well as some excess capacity in the other Sterling school facilities, including the Houghton and Chocksett Schools, it appears that schools are unlikely to be overly burdened by any new development in the near future.

4. Transportation

While Sterling is located within easy access to a number of major cross-state highways including the Worcester Turnpike (Route 9), Route 20, the Massachusetts Turnpike, Interstate 495, and Interstate 190; it lacks access to public transportation. There is no bus service and the nearest commuter rail service to Boston is in the neighboring city of Leominster. The lack of public transit requires residents to have access to automobiles, further increasing the cost of living in Sterling. This lack of access to public transportation presents a barrier to those residing in affordable housing who are likely to experience financial strains in owning and maintaining a car. It should be noted that Sterling's Council on Aging does offer free transportation to area seniors as a member of the Montachusett Regional Transit Authority (MRTA), thus promoting independent living on the part of this population.

5. Environmental Concerns

Sterling is the home of regionally significant natural resources such as Wachusett Reservoir watershed, East Lake Wauschacum, Stillwater River, and Central Rail Trail. Most residents are aware of the town's natural treasures and are rightly concerned about conserving them. The town has an active Conservation Commission to protect environmentally sensitive areas. The impacts of any new development must be identified as to how they affect the environment and what actions might be required to mitigate problems. While regulations to protect the environment (e.g., wetlands, aquifers, septic systems) are important and essential, they present challenges to development by reducing the amount of buildable land and increasing the time and costs of developing new housing.

6. Availability of Subsidy Funds

Financial resources to subsidize affordable housing preservation and production as well as rental assistance have suffered budget cuts over the years making funding more limited and extremely competitive. Communities are finding it increasingly difficult to secure necessary funding and must be creative in determining how to finance projects and tenacious in securing these resources.

7. Community Perceptions

Affordable housing, subsidized housing, low-income housing, projects, Section 8, etc. – these terms can conjure images of potential neglect, plunging property values, increased crime, and even tensions concerning class and race. On the other hand, with soaring real estate prices, community perceptions are beginning to tilt towards the realization that affordable housing is needed in the community. 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. It is this growing awareness, as well as impending 40B developments, which is spurring communities such as Sterling to take a more proactive stance and greater interest in supporting affordable housing initiatives.

F. Local and Regional Organizations

The town of Sterling has a number of local and regional agencies and organizations available to help support the production of affordable housing or provide housing-related services:

1. Sterling Affordable Housing Committee

The Town of Sterling's Board of Selectmen formed the Sterling Affordable Housing Committee in 2005 to oversee the preparation of this Housing Needs Assessment and Plan.

2. Sterling Housing Authority

The Sterling Housing Authority owns and manages the 40 units at Sholan Terrace, the only rental units currently included in the state defined Subsidized Housing Inventory for Sterling. The Authority has contracted with the Leominster Housing Authority to conduct the necessary management services associated with the development and meets monthly with the Leominster Housing Authority's Executive Director.

While the Leominster Housing Authority also manages rental subsidies, there are currently no subsidies available in Sterling. The Leominster Housing Authority has created nonprofit housing subsidiaries to support its interest in pursuing development and has the capacity to provide other housing-related services such as overseeing the marketing and lotteries for affordable housing.

3. Sterling Council on Aging

The Sterling Council on Aging is a Town department that supports the quality of life of Sterling's elders through a wide variety of services. These include the operation of a Senior Center that offers social programs for seniors, an information and referral service on a wide range of issues, community-based services to promote independence, including free shuttle bus transportation, as well as in-home support services. The Council relies heavily on local volunteers to support its activities.

The Council receives a great many housing-related inquiries from local residents, as well as those who live outside the town, concerning the availability of housing options for seniors, and typically refers people to the management of Sholan Terrace, the only existing affordable housing option for seniors in Sterling. The Council on Aging indicated that there is considerable need and demand for additional housing options for seniors, particularly units for those interested in downsizing from their single-family homes, reducing home maintenance requirements, and needing more than the small two-room apartments available at Sholan Terrace.

The Council on Aging also works with the Town on a program that abates taxes for low-income seniors in exchange for minor services to the Town, for example, volunteering at a school or library. In addition to this work program, the Town also has a tax exemption program for income-eligible seniors that reduces property tax bills.

4. Coalition for Affordable Housing

The Coalition for Affordable Housing is an organization founded by a group of local citizens concerned about the issue of affordable housing in Sterling. The Coalition was instrumental in moving the Board of Selectmen to create the Sterling Affordable Housing Committee that is charged with overseeing the preparation of this Affordable Housing Plan and promoting affordable housing in Sterling. The organization continues to advocate for affordable housing initiatives that are sensitive to local needs and objectives.

5. Chapter 40B Review Committee

The Sterling Board of Selectmen designated members of various other Town boards and committees, such as the Planning Board, Conservation Committee, Fire Department, Police Department, and Council on Aging, to review Chapter 40B housing proposals as they are submitted by developers and to provide substantive feedback to both the developers and Town officials, including the Zoning Board of Appeals, on issues that need to be addressed during the comprehensive permit process.

6. Central Massachusetts Housing Alliance

The Central Massachusetts Housing Alliance works in Greater Worcester and Worcester County to respond to the needs of the homeless or near homeless, providing a variety of support services and programs. In addition to advocating for high quality and appropriate shelters for the homeless as well as new affordable housing, the organization engages in a number of homelessness prevention initiatives, education efforts and programs directed to seniors. For example, the Alliance provides counseling services for first-time homebuyers as well as those requiring assistance with housing-related problems. It also administers the Affordable Housing Connection, which is designed to assist senior homeowners in renting their currently vacant units by providing support in tenant selection, financial and technical assistance in renovation and repairs, and other property services. The organization's Elder Homes Repair program offers additional support to help low-income seniors age in place by correcting health and safety problems.

7. Habitat for Humanity of North Central Massachusetts

Habitat for Humanity is an ecumenical, non-profit Christian ministry dedicated to building simple, decent homes in partnership with families in need that has grown over the past two decades into one of the largest private homebuilders in the world. The organization has almost 1,600 U.S. affiliates and over 2,000 affiliates worldwide, including one serving the North Central area of Massachusetts that covers the town of Sterling. Habitat International has constructed more than 200,000 homes throughout the world since its inception in the late 1970s.

Habitat for Humanity of North Central Massachusetts, based in Fitchburg, has built or renovated ten homes that house 26 children and their families. These local projects have been built in Acton, Ashburnham, and Townsend. The organization is currently building new homes in Ayer and Fitchburg and continues to look for new volunteer support as well as the donations of land, funds and materials to support their work.

8. RCAP Solutions

RCAP Solutions is a private, non-profit organization that provides technical assistance in the areas of rural drinking water, and wastewater treatment systems, solid waste programs, housing, economic development, comprehensive community assessment and planning and compliance with environmental regulations. The organization serves as the regional housing agency and

provides housing and community services to low- and moderate-income individuals and families including rental assistance programs. They manage 2,200 rental subsidies of which three are being used in Sterling, and there is an estimated 200 applicants on the wait list from Sterling interested in securing rental assistance. Other RCAP activities include loan programs to support home modifications to improve access for the disabled, deleading, and weatherization improvements as well as a range of homeowner services such as first-time homebuyer education, down payment assistance, lead abatement assistance, mortgage default counseling, and budget and credit counseling. The organization also owns and manages nine developments in the region and is pursuing new opportunities to manage real estate.

9. Montachusett Opportunity Council, Inc. (MOC)

The Montachusett Opportunity Council is a private, non-profit organization that serves as the area's community action agency providing a wide range of programs and services to improve the quality of life for low-income persons by working with communities in the Montachusett area to affect social, individual and family change and achieve self-sufficiency. Programs include adult learning and workforce development initiatives, day care and preschool education, food and nutrition services, and energy assistance (i.e., fuel assistance, utility discounts, heating system repair and replacement, and energy conservation support), family planning, and transportation.

10. Workdays for Adults and Youth in Services (WAYS)

WAYS has been established as a means for volunteers, including adults and youth, to provide community service to needy homeowners, using their own sweat equity to make necessary home improvements.

11. Worcester Community Housing Resources, Inc.

Worcester Community Housing Resources, Inc. is a private, non-profit organization that supports neighborhood revitalization and housing improvement in the Worcester area. The organization procures and transforms troubled properties into affordable housing and through its Community Loan Program provides start-up and flexible loans to other non-profit organizations and developers to do the same. Additional services include training and counseling to homeowners and potential homebuyers in partnership with the NeighborWorks Homeownership Center of Worcester.

12. Montachusett Regional Planning Commission (MRPC)

The Montachusett Regional Planning Commission (MRPC) serves as the regional planning agency for North Central Massachusetts and provides professional expertise to communities in the area including support for planning and program development. MRPC coordinated the preparation of Sterling's Community Development Plan in 2001 and has been working with Sterling as well as neighboring Lunenburg, Lancaster, and Harvard on funding applications to DHCD and the management of the Four Town Regional Housing Rehab Program. This Program, funded since July 2004 with Community Development Block Grant funds through the state, provides technical and financial assistance to qualifying homeowners for necessary housing repairs thus bringing properties into compliance with housing codes and regulations and prolonging the long-term viability of existing housing that is affordable to those with incomes at or below 80% of area median income. Approximately a dozen homeowners have been assisted in Sterling thus far through this Program.

IV. Property Inventory

The following information represents a work in progress that will be fine-tuned on an ongoing basis in coordination with other Town Boards and Committees. A map of the existing affordable housing stock and these potential affordable housing sites is included in Appendix 1.

A. Town-owned Properties

The following table lists some properties that are owned by the Town that may be suitable for some amount of clustered affordable housing development. Other Town-owned properties may also be suitable for such development but are not considered in the 10-year plan.

Town-owned Properties with Potential for Affordable Housing Development

Parcels	Map #/ Quadrant	Total Parcel Acres/ Buildable Housing Acres*	Estimated # Housing Units/Aff. Units	Comments
1835 Town Hall?	Main Street		6/3	Town determining best use
318 Upper North Row Road	19/4	12.7/6.3	25/13	Property in arrears on municipal taxes, currently in Land Court; moderately sloped, some steep slopes and heavily wooded
Off Chace Hill Road	150/8	14.11/7	28/14	Landlocked, abuts state land (former MDC property)
73 Chace Hill Road	150/2	24.92/12.5	50/25	Wet areas, power lines
57 Taft Road		44.45/11.11 **	44/22	Coming out of Chapter 61A; Town voting on purchase for mixed-uses
Total				

*The number of acres set-aside for housing is estimated to be approximately half of available acreage. It is therefore a best guess at this time of the buildable area and also recognizes Town concerns for maintaining some amount of open space in most developments, including infrastructure requirements such as possible water and sewer treatment facilities, and in some cases accommodating other uses on site as well.

**The number of acres set-aside for housing is estimated to be approximately one-quarter of the available acreage given need to accommodate other uses.

In addition to currently owned Town parcels, the Town of Sterling may decide to acquire privately owned sites over the next decade for the purposes of protecting open space and developing some amount of housing, including affordable housing, through cluster development on a portion of the sites. Town Meeting is scheduled to vote on acquiring 57 Taft Road (see above table) in late February for \$600,000, a parcel that had previously been in Chapter 61A protection.

B. Private Properties

It is also likely that developers will continue to pursue comprehensive permit applications, and it will be incumbent on the Town to determine the best approach for negotiating with these developers to guide new development to more appropriately satisfy local needs and requirements. One of the strategies recommended in this Affordable Housing Plan is to prepare Housing Guidelines that establish general local criteria for new housing development that would be acceptable to the Town.

Additionally, the Town should become alert to opportunities for acquiring property that would be suitable for some amount of affordable housing. Ideally such properties would meet a number of smart growth principals (see Section II.C. for details) such as involve the redevelopment of existing structures, be large enough to accommodate clustered housing, have good carrying capacity for water and septic systems, offer a buffer between adjacent properties, and be located along a major road. For example, as noted above, Town Meeting will be voting on acquiring a 44-acre parcel on Taft Road that had been previously designated under Chapter 61A. It is expected that the Town will consider mixed uses on the site including recreational space, open space and some amount of housing, including affordable housing.

It is also important for the Town to be aware of how it might assist current property owners in maintaining some amount of affordability in the existing housing stock. For example, there may be some opportunity to work with the members of the Sterling Camp Meeting Association to enhance the long-term viability of homes in this area by securing subsidies for property improvements in exchange for long-term affordability.

The Town might also work with other entities to pursue new development in the Town's best interests that would include mixed uses and some amount of affordable housing. For example, the Town of Sterling is currently in discussion with the state's Department of Conservation and Recreation (DCR), the airport and a private developer concerning about 300 acres of property adjacent to the airport and abutting Route 190. DCR plans to acquire 175 of the acres for watershed protection purposes, the airport hopes to expand into some part of this acreage and a private developer plans to build 98 units of housing. This project represents an opportunity for the Town to present affordable housing as an important ingredient for any new development.

V. AFFORDABLE HOUSING PLANNED PRODUCTION GOALS

The Massachusetts Department of Housing and Community Development (DHCD) is administering the Planned Production Program in accordance with regulations that enable cities and towns to prepare and adopt an affordable housing plan that demonstrates 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.¹ Sterling will have to produce approximately 20 affordable units annually to meet these production goals through 2010. When the 2010 census figures become available in 2011, this number will be higher, most likely closer to 25 units. If DHCD certifies that the locality has complied with its annual production goals, the Town may, through its Zoning Board of Appeals, deny comprehensive permit applications without opportunity for appeal by developers.

Using the strategies summarized under the Housing Action Plan described in Section VI.A through D., the Town of Sterling has developed a Planned Production Program to chart affordable housing production activity over the next decade. 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:

- To the greatest extent possible, at least fifty percent (50%) of the units that are developed on Town-owned parcels should be affordable to households earning at or below 80% of area median income and at least another 10% affordable to those earning up to 150% of area median income, depending on project feasibility. The rental projects will also target some households earning at or below 60% of area median income and lower depending upon subsidy program requirements.
- Projections are based on no fewer than four (4) units per acre. However, given specific site conditions and financial feasibility it may be appropriate to decrease or increase density as long as projects are in compliance with state Title V and wetlands regulations.
- Because housing strategies include some 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 at least 30% of total project units to the greatest extent feasible.
- The projections involve a mix of rental and ownership opportunities. The Town will work with private developers to promote a diversity of housing types directed to different populations with housing needs including families, seniors and other individuals with special needs to offer a wider range of housing options for residents.

¹ Massachusetts General Law Chapter 40B, 760 CMR 31.07 (1)(i).

Sterling Planned Production Program*

Strategies by Year	Units < 80% AMI	Units 80%-150% AMI	Total # units
Year 1 – 2006			
Private development Chocksett Crossing (ownership)	12	0	45
Private development Northgate Meadows (ownership and rental)	93	0	156
<i>Subtotal</i>	<i>105</i>	<i>0</i>	<i>201</i>
Year 2 – 2007			
Private development Development across from Chocksett Crossing (over 55 housing and handicapped units – ownership)	47	0	186
<i>Subtotal</i>	<i>47</i>	<i>0</i>	<i>186</i>
Year 3 – 2008			
Covered under Year 2			
Year 4 – 2009			
Development of church on Main Street or 1825 Town Hall	3	1	6
Private development	15	5	50
Accessory apartment	2	0	2
<i>Subtotal</i>	<i>20</i>	<i>6</i>	<i>58</i>
Year 5 – 2010			
Development of Town-owned property/ 57 Taft Road	22	4	44
Scattered-site development	2	0	2
<i>Subtotal</i>	<i>24</i>	<i>4</i>	<i>46</i>
Year 6 – 2011			
Private development	20	7	67
Accessory apartments	4	0	4
Convert existing housing to affordability	2	0	2
<i>Subtotal</i>	<i>26</i>	<i>7</i>	<i>73</i>
Year 7 – 2012			
Development of Town-owned property/ Upper North Row Road	13	3	26
Accessory apartments	4	0	4
Convert existing housing to affordability	7	1	14
<i>Subtotal</i>	<i>24</i>	<i>4</i>	<i>44</i>

Table continued on next page

Strategies by Year	Units < 80% AMI	Units 80%-150% AMI	Total # units
Year 8 – 2013			
Private development	20	7	67
Accessory apartments	2	0	2
Development of noncomplying lots	2	0	2
<i>Subtotal</i>	24	7	71
Year 9 – 2014			
Private development	10	3	33
Mixed-use development/40R	10	4	40
Accessory apartments	2	0	2
Development of noncomplying lots	2	0	2
<i>Subtotal</i>	24	7	77
Year 10– 2015			
Private development	24	8	80
Scattered site development	2	0	4
<i>Subtotal</i>	26	5	84
TOTAL	285	43	702

Total = 285 affordable units and 43 middle-income units with a total projected number of housing units created of 702 units.

** Final determination of the use of existing Town-owned parcels for new affordable housing is subject to a more thorough feasibility analysis of site conditions and Town Meeting approval. If any of the preliminarily identified existing Town-owned properties are finally determined infeasible or do not obtain approval from Town Meeting, it is anticipated that the projected numbers of affordable units would be met through the acquisition of privately owned properties or private development.*

It is difficult to project which specific projects will involve ownership vs. rental beyond Year 3, and these projections are therefore conservative with totals assuming homeownership projects with at least 30% of the units affordable although a mix of rental and ownership is planned to meet local needs. The numbers would be higher in the case of rental projects with all units counting as part of the Subsidized Housing Inventory. Additionally, these estimates do not earmark particular projects as being directed to seniors, families, individuals or special needs populations. However, this Plan projects that all of these needs will be addressed through local development efforts during the next ten years.

VI. HOUSING ACTION PLAN

The strategies outlined below are based on previous plans, reports, studies, the Housing Needs Assessment, 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 – Planning and Regulatory Reform, Building Local Capacity, Housing Production, and Housing Preservation – and categorized by Two-Year and Five-Year Action Plans. Two-Year actions are those that will begin within the next two years, most of which will involve some immediate actions. Those strategies included in the Five-Year Action Plan involve focused attention after the next couple of years, working towards implementation after Year 2 but before Year 5. A summary of these Housing Action Plans is included as Appendix 4.

A. Implement Planning and Regulatory Reforms

Housing production is contingent not only on actual development projects but on the planning and regulatory tools that enable localities to make well informed decisions to strategically invest limited public and private resources on housing creation. 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 Zoning Bylaw, and new tools will be required to capture more affordable units and expeditiously move development forward to completion.

The Zoning Bylaw includes a minimum lot requirement of at least an acre as well as frontage, setback and other requirements that may not be conducive to affordable housing. This creates the likely need for regulatory relief for any residential development that includes affordable units, most likely through the “friendly” comprehensive permit process that overrides local zoning. Additionally, the Zoning Bylaw incorporates a number of provisions that while intended to encourage affordable housing, have not provided sufficient incentives to realize actual new affordable units and should be revisited and revised as necessary (see Section III.E.2).

The Town of Sterling should consider the following planning and zoning-related strategies to promote the creation of additional affordable units. These actions can be considered as tools that the town will have available to promote new housing opportunities, each applied to particular circumstances and providing a powerful group of resources when available in combination.

1. Adopt Inclusionary Zoning

Current Status: Inclusionary zoning is not currently included in Sterling's Zoning Bylaw. This mechanism has been adopted by more than one-third of the communities in the state to insure that any new development project over a certain size includes a set-aside in numbers of affordable units or funding from the developer to support the creation of affordable housing. This bylaw applies to development that meets local zoning requirements, but many communities have determined it appropriate to incorporate density bonuses in their inclusionary bylaw. Many of the municipalities that have inclusionary zoning in place are reaping the rewards of these actions through the creation of actual affordable units or cash contributions to the locality for investment in affordable housing production. Most of the bylaws include mandated percentages of units that must be affordable, typically 10% to 15% and density bonuses². Some also allow development of affordable units off-site and/or cash in lieu of actual units.

Next Steps: There are a variety of bylaws that have been adopted in localities throughout the state that vary considerably based on requirements. The Sterling Planning Board

² Density bonuses allow increased densities beyond what is allowed under the Zoning Bylaw.

should explore models and prepare a zoning amendment that is best suited to support affordable housing in Sterling. This amendment should be presented at a Public Hearing and if approved, presented by the Planning Board to Town Meeting for adoption.

Timeframe: Two-Year Plan

This process could be accomplished within the next year, ready for vote by Town Meeting in 2007.

Resources Required: One of the benefits of this strategy is that it requires very little local investment to implement. The monitoring of projects to insure continued affordability based on use restrictions would be the responsibility of the project sponsor and coordinated by the proposed Housing Trust (see Section VI.B.2). All affordable units added through such a bylaw would need to be registered with the state to be included as part of the Town's Subsidized Housing Inventory, applied through the Local Initiative Program (LIP) administered by DHCD.

Projected # Affordable Units Produced: Ideally the adoption of this bylaw would lead to the production of actual housing units, but may also deliver payments in lieu of actual units to help capitalize the Affordable Housing Trust Fund (see Section VI.B.2).

2. Amend Accessory Apartment Bylaw

Current Status: The current Zoning Bylaw allows accessory apartments through a special permit, however information is not readily available to tract the total number of apartments that are currently in compliance with the Bylaw in Sterling. Nevertheless, it is generally recognized that there are illegal accessory apartments in town as well.

Accessory units are helpful in meeting a number of public policy objectives. First, they enable homeowners to capture additional income, which is particularly important for elderly homeowners or single parents where such income may be critical to remaining in their homes. Also, some young families or moderate-income households might be able to afford homeownership if they could count on income from an accessory apartment. Second, they provide appropriately sized units for growing numbers of smaller households. Third, accessory units are inexpensive ways of increasing the rental housing stock at lower cost than new construction and without loss of open space, without significant impact on the surrounding neighborhood, and without additional Town services such as streets or utilities. There are, however, issues regarding the adequacy of the existing septic system when a new bedroom is added. Fourth, tenants in accessory apartments can also provide companionship, security and services for the homeowner, from shoveling the sidewalk for an elderly owner to babysitting for a single parent. Fifth, as recognized by the current bylaw and often referred to as "in-law" apartments, they have offered good opportunities for keeping extended families in closer contact. Sixth, new accessory units typically generate tax revenue in a locality because accessory units add value to existing homes. Seventh, recently the Massachusetts House of Representatives allowed several new types of housing units to count toward a community's 10% goal including accessory apartments constructed on or after July 1, 2002, pursuant to a local ordinance or bylaw, and "that is affordable to the occupant." For an accessory apartment to "count" in the community's Subsidized Housing Inventory, the Town will have to establish a special process and annually certify the affordability of each accessory unit to DHCD (see Section VI.C.2. for details).

Next Steps: In order to promote new accessory units the Town should consider amending its Zoning Bylaw as follows:

- Allow accessory units as-of-right (not requiring any special regulatory approval) based on specified conditions of the bylaw;
- Extend use to detached structures or separate additions; and
- Extend availability to investor-owned properties.

There are many variations of accessory apartment bylaws that have been adopted in other communities. The Sterling Planning Board can explore other bylaws and work on an amendment that will best meet the needs of the community.

Timetable: Two-Year Plan

This process could be accomplished within the next year, ready for vote by Town Meeting in 2007.

Resources Required: Time of the Planning Board to prepare the zoning amendment, potentially with the support of a consultant, and coordinate the necessary approvals. Additional time will be needed from a professional housing consultant or staff person (see Section VI.B.5.) to prepare an implementation plan and oversee a program to insure long-term affordability of at least some of the new accessory apartments (see Section VI.C.2. for details).

Projected # Affordable Units Produced: 14 units (this unit count is also included under strategy VI.C.2. – Incorporate Accessory Apartments in the Subsidized Housing Inventory).

3. Explore Adoption of 40R

Current Status: 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 last year 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 the construction of apartments for families at all income levels, and that the state increase its commitment to fund affordable housing for families of low and moderate income”.³ 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.”⁴ These new districts would typically occur in denser town centers and in areas already served by transportation. The goal was to address several regional concerns at once: The need for more affordable housing, the need to avoid adding more traffic to roads and

³ 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.

⁴ Massachusetts General Law, Chapter 40R, Section 11.

highways already choked during commuting hours, and to protect the New England landscape from additional sprawl, fostered by large-lot subdivisions. The legislation was also passed in recognition that escalating housing prices, now beyond the reach of increasing numbers of state residents, are forcing college graduates and young professionals to relocate to other areas of the country in search of greater affordability.

The key components of 40R include:

- Allows local option to adopt Overlay Districts⁵ 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;
- Allows mixed-use and infill⁶ development;
- Provides two types of payments to municipalities (see below); and
- Encourages open space and protects historic districts.

For more information on 40R, refer to Appendix 4, Section I.D.

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 so 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 will hold those communities participating in 40R harmless from costs added to school budgets as a result of the 40R-related development.

Next Steps: In an effort to promote smart growth and promote mixed-use, mixed-income development, the Town should explore the adoption of 40R and convene a forum to discuss these new regulations and how they could be effectively implemented in Sterling. Representatives from the state or Commonwealth Housing Task Force are available to make presentations to communities on 40R and answer questions. If there is general agreement to pursue the development of the Zoning Districts further, the Town can apply for funding from the state’s Priority Development Fund to secure the necessary technical assistance to implement the rezoning. There may be some opportunity to create such a district in an appropriate place along the Route 12 corridor. Overlay Zoning Districts require approval by the Planning Board and a two-thirds vote of Town Meeting.

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

1. The Town holds a public hearing as to whether to adopt an Overlay District per the requirements of 40R;
2. The Town applies to DHCD prior to adopting the new zoning;
3. DHCD reviews the application and issues a Letter of Eligibility if the new zoning satisfies the requirements of 40R;

⁵ Overlay districts contain additional provisions for special features or conditions, such as historic buildings, affordable housing, wetlands, mixed-uses, etc. as part of the Zoning Bylaw.

⁶ Infill development is the practice of building on vacant or undeveloped parcels in dense areas that promotes compact development and in turn allows undeveloped land to remain open and green.

4. The Town adopts the new zoning through a two-thirds vote of Town Meeting subject to any modifications required by DHCD;
5. The Town submits evidence of approval to DHCD upon the adoption of the new zoning; and
6. DHCD issues a letter of approval, which indicates the number of incentive units and the amount of payment.

Timetable: Five-Year Plan

Resources Required: The Town could apply to the state's Department of Housing and Community Development (DHCD) for funding through its Priority Development Fund (see Section VI.B.4. for details on this resource) to secure the necessary technical assistance to implement the adoption of 40R locally.

Projected # of Affordable Units Produced: 10 units

4. Waive Permit Fees for Affordable Housing

Current Status: Many communities are waiving application/permit fees for affordable housing developments, either for certain types of projects or on a case-by-case basis. Waivers are becoming more important to gaining funding from potentially supportive funding agencies. All regulatory fees become part of a development budget that affects the affordability of the housing produced. The waiver of regulatory fees is an area where the Town might have some capability of directly affecting project costs and affordability.

Next Steps: The Town of Sterling should consider making fee waivers an institutionalized part of the Town's housing efforts. The proposed Housing Trust should work with the Planning Board, Board of Selectmen, Building Department and other appropriate Town boards and committees to determine what types of projects would qualify for this waiver (e.g., non-profit developers, projects that require housing subsidy funds to be feasible, projects meeting Planned Production requirements) and the projected amount of foregone revenue that would result.

Timetable: Two-Year Plan

Resources Required: Foregone revenue received from the amount of fees waived in support of new affordable unit development.

Projected # Affordable Units Produced: This action is unlikely to by itself create affordable units, however, it represents a commitment on the part of the Town to support new affordable unit production that will help leverage other public and private resources for project financing and contribute to project affordability.

5. Adopt Affordable Housing Guidelines

Current Status: "Affordable Housing Guidelines" should be considered by the Town of Sterling as a helpful tool for promoting greater cooperation with private for profit and non-profit developers on affordable housing production. This Housing Plan incorporates Planned Production goals that identify development opportunities leading to the production of at least .75% of the year-round housing stock per year of at least 20 units. However, given past production of only 44 total units to date, this Planned Production goal is ambitious and will require the Town to work more effectively with developers to boost the level of affordable housing. To this end the Planning Board and Housing Trust

should consider affecting the types of housing proposals submitted through the creation of reasonable Affordable Housing Guidelines that provide guidance on projects that will be acceptable to the community and therefore will more likely avoid prolonged and often litigious battles.

Affordable Housing Guidelines provide an aid to both non-profit and for profit housing developers to help them plan for residential development that will be in line with what the community seeks in affordable housing related to scale, siting, density, levels of affordability, location, design, etc. Through such Guidelines the developer “wins” because there is greater predictability in what the Town is willing to approve, and the Town “wins” because it gets new affordable units that meet locally established development criteria that help it meet local needs and production goals. These Guidelines will contribute to a more open environment where developers who meet these development criteria can approach the Town with the expectation that they will likely be able to pursue their project through a “friendly” Chapter 40B process, working with instead of against the Town on housing creation strategies.

A sample of Affordable Housing Guidelines that include possible factors for consideration and adaptation in Sterling are included as Appendix 3.

Next Steps: The proposed Sterling Housing Trust working in coordination with the Planning Board should revise the draft Affordable Housing Guidelines as needed and share them with the Board of Selectmen, 40B Review Committee, Conservation Commission, Board of Health, Zoning Board of Appeals and other interested boards and committees for their review and comment. The Guidelines can then be finalized and made public.

Timeframe: Five-Year Plan

Resources Required: The donated time of local officials and various Town boards and committees and potentially the services of a consultant, funded through available state technical assistance funds such as the Priority Development Fund.

Projected # Affordable Units Produced: 241 affordable units as well as potentially 24 middle-income units through private development, most through the “friendly” Chapter 40B process.

6. Allow Affordable Development on Noncomplying Lots

Current Status: 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 as starter housing or homes for empty nesters interested in reducing their living space and home maintenance.

Next Steps: The Sterling Affordable Housing Committee or proposed Housing Trust 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 allow such lots to be

developed by Special Permit or through the state's Local Initiative Program⁷, restricting the development to affordable units that qualify for inclusion in the Town's state-defined Subsidized Housing Inventory.

Timetable: Five-Year Plan

Resources Required: The Housing Trust should coordinate this effort with the Planning Board and other appropriate local officials in determining the feasibility of implementing this strategy in Sterling, drafting the zoning amendment and coordinating the necessary approvals towards implementation. This strategy is also likely to require some technical support from a housing professional to provide information on what other communities have implemented in this regard and to help shape a strategy for Sterling.

Projected # Affordable Units Produced: 4 units

7. Encourage flexible zoning or open space development that incorporates affordable housing

Current Status: Sterling's Protective By-law currently does not include any provisions encouraging cluster development or the protection of open space that would promote more compact development patterns in line with smart growth principals. Additionally, unlike other communities the bylaw does not incorporate density bonuses as incentives for producing affordable units in new developments.

Next Steps: The Sterling Affordable Housing Committee or proposed Housing Trust should explore what other communities are doing with respect to these more flexible zoning provisions and work with the Planning Board to prepare a zoning amendment to promote cluster development and open space protection with density bonuses for the inclusion of affordable units. For example, a model bylaw has been produced by the Metropolitan Area Planning Council, Massachusetts Audubon, and others in the Green Neighborhood Alliance, adopted by a number of Massachusetts communities.

Timetable: Five-Year Plan

Resources Required: The Housing Trust should coordinate this effort with the Planning Board and other appropriate local officials in determining the feasibility of implementing this strategy in Sterling, drafting the zoning amendment and coordinating the necessary approvals towards implementation. This strategy is also likely to require some technical support from a housing professional to provide information on what other communities have implemented in this regard and to help shape a strategy for Sterling.

Projected # Affordable Units Produced: Units created under this strategy become part of some of the private development or Town-owned developments listed in Planned Production goals.

⁷ The Local Initiatives Program (LIP) is 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-defined Affordable Housing Inventory. 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 at or below 80% of area median income.

8. Waive Property Taxes for Qualifying Households in Exchange for Deed Restrictions

Current Status: The average property tax bill is approximately \$4,000, which is a considerable sum of money for low- and moderate-income households living on fixed incomes, including seniors and the disabled. In order to remain in their homes, these households may be willing to consider restricting the resale price of their homes through a deed rider for a period of time in exchange for an exemption from property taxes during that timeframe. These units could then be counted as part of the Town's Subsidized Housing Inventory through the state's Local Initiative Program (LIP), and existing owners would have greater financial means to remain in their homes.

Next Steps: The Housing Trust could reach out to seniors through the Council on Aging or a notice in the tax bill to try to interest those over some specified age, such as 65, in this initiative. It would be useful to have some professional housing support on how to implement the strategy and coordinate the paperwork that is necessary to execute the deed rider and the inclusion of the units in the state-approved Subsidized Housing Inventory. The Town Treasurer would process the tax exemptions. If there is little or no interest in the program from residents, it may be necessary to offer some incentives such as grant money (through an up-front subsidy or an annuity) or a deferred loan to be repaid when the house is finally sold. Additionally, deed riders can include language that terminates the agreement upon the death of the owner or with regular optional renewal periods that might make the affordability restrictions more palatable.

Timetable: Five-Year Plan

Resources Required: Foregone tax revenue of approximately \$4,000 per affordable home and some time from a consultant or part-time staff person. Town Treasurer would need to coordinate the tax exemption. If a subsidy is required, up to another \$25,000 per house may be needed, to be repaid upon resale.

Projected # Affordable Units Produced: See Section VI.C.4.

B. Build Local Capacity

In order to carry out the strategies included in this Housing Plan and meet the Planned Production goals, it will be important for the town of Sterling to build its capacity to promote affordable housing activities. This capacity includes gaining access to greater resources – financial and technical – as well as building local political support, developing partnerships with public and private developers and lenders, and creating and augmenting local organizations and systems that will support new housing production. This Plan incorporates an organizational structure for the implementation of the strategies and continued oversight of housing policy and initiatives in Sterling. This structure involves a division of functions in compliance with current legislative opportunities, in recognition of existing entities, and in keeping with what is working in other communities.

1. Conduct Educational Campaign

Current Status: Affordable housing has become a more visible issue in Sterling, largely as a result of the wave of comprehensive permit projects that have ignited local concern. While many residents are aware of escalating housing prices and some are encountering difficulties affording housing in Sterling, it is likely that many residents hold onto negative stereotypes of what affordable housing is and what it will do to their community.

On November 9, 2005, Sterling's Affordable Housing Committee sponsored a forum for local leaders and the public to hear the results of a Housing Needs Assessment that is a substantial component of this Affordable Housing Plan. During this meeting, updated information on the dwindling supply of unsubsidized affordable housing in Sterling was presented, highlighting the current gaps between the supply of housing and local needs.

Another public forum was held on February 8, 2006, to provide information on the draft Affordable Housing Plan to not only get feedback on the Plan's strategies and goals, but also to offer another opportunity to showcase the issue of affordable housing in a light that demonstrates how the town can be proactive on the issue to better serve the wide range of local needs and control new development. Additional opportunities to engage the community in discussions on affordable housing and to present information on the issue are needed to dispel myths and help galvanize local support, political and financial, for new affordable housing production. These outreach efforts are mutually beneficial as they provide useful information to community residents and important feedback to local leaders on local concerns and suggestions.

Next Steps: Outreach can initially be directed to local officials and committees and then followed by more formal public efforts directed to the entire community through the local press, media and events. Additional community outreach to various local groups (e.g., churches, PTA's, women's clubs, fraternal organizations, realtors, hospitality organizations, Council on Aging, etc.) can occur through speakers or information meetings, and a newsletter or some progress report can be prepared for general distribution.

As noted above, the presentation of this Affordable Housing Plan offers an opportunity to bring attention to the issue, offering information on housing needs and proposed strategies that can help attract community support for affordable housing initiatives. It may also be useful for the Town to sponsor several forums to present the Housing Plan, opening these up to the public to better sensitize community residents and local leaders on the issue. In addition to meetings that focus on this planning effort, other public education opportunities could be coordinated by the Sterling Affordable Housing Committee and proposed Housing Trust including having representatives from other towns speak in public forums on innovative affordable housing strategies, bringing representatives from Citizens Housing and Planning Association (CHAPA) to a community meeting to provide a power point presentation on smart growth development, and organizing panel discussions on particular housing-related topics. These sessions can help build community interest, improve communication and garner support. It may also be feasible to have local banks support such an effort with financial and/or technical assistance.

Timetable: Two-Year Plan

Resources Required: The donated time of Sterling's Affordable Housing Committee or proposed Housing Trust.

Projected # Affordable Units Produced: Unlikely to have a direct impact on actual unit production.

2. **Create an Affordable Housing Trust and Dedicated Housing Trust Fund**

Current Status: Discussions with other communities regarding the success of their affordable housing initiatives indicate that it is often critical to have accessible funds to respond immediately and effectively to housing opportunities as they arise. Also, many of the state subsidy sources require local contributions either through local funds, donation of Town-owned property, or private donations. In order to receive donations and avoid paying taxes, it is useful for each locality to have a dedicated housing fund that offers communities greater ability to support the development of affordable housing.

On June 7, 2005, the Governor signed new legislation, called the Municipal Affordable Housing Trust Fund Act, which simplifies the process of establishing such funds. Previously, cities could create trusts through their own resolution, but Towns had to get approval from the legislature through a home rule petition. 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 a five-member board of trustees, most typically appointed and confirmed by the Board of Selectmen, in the case of towns. 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 trust 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 project.

Next Steps: Sterling's Board of Selectmen should seek approval at the 2006 Annual Town Meeting for the establishment of a Municipal Affordable Housing Trust Fund and appoint members of the Board of Trustees. This Housing Trust will serve as the Town's Committee that will oversee housing issues and the implementation of the Affordable Housing Plan and be responsible for managing the Affordable Housing Trust Fund, for defining policy issues that are in the public interest and work with the Planning Board on establishing housing guidelines for housing efforts. This entity may effectively combine the current efforts of the Affordable Housing Committee and 40B Review Committee, and current members of both Committees might be considered for serving on this Housing Trust.

It will also be important to explore a wide range of possible fundraising options to capitalize the Trust Fund. In addition to CPA funding (see Section VI.B.3) and other public sector resources, the Town should also consider private sector donations. This process of securing private support not only provides financial benefits to support local housing efforts, but it is also a vehicle for raising awareness of the affordable housing issue and generating interest and political support for affordable housing initiatives.

Many communities are reaching out to residents for private donations of land or funds to promote housing affordability. Such contributions and the "bargain sale" of real estate could become a part of the Sterling land ethic, but donations need to be promoted, nurtured, and facilitated. Inclusionary zoning, if passed, may also provide cash resources for a wider range of possible developments that can help capitalize the Affordable Housing Trust Fund if the developer decides to pay cash in lieu of constructing actual affordable units. Developers may also contribute to the Housing Fund through negotiations on comprehensive permit projects or other local developments. Developers

make additional contributions to these funds if the purchase prices for the market units are higher than the prices that were projected in their comprehensive permit applications and profits are more than the 20% allowed under Chapter 40B.

Faith-based affordable housing initiatives are also widely viewed as effective, as reported by the organization World Vision.⁸ The Sterling Housing Trust can work with the local churches on some additional activities that focus on affordable housing, including, for example, donations to the Housing Fund, perhaps during Fair Housing month.

Timeframe: Two-Year Plan

This process could be accomplished within the next year, ready for vote by Town Meeting in 2006.

Resources Required: The process of creating the Affordable Housing Trust Fund is relatively straightforward and can be coordinated by the Affordable Housing Committee in concert with the Board of Selectmen. Once established, it will be incumbent upon the Town to support efforts to capitalize the Fund from contributions of potential CPA funding in support of affordable housing initiatives. Other resources include the donated time of volunteers to coordinate fundraising activities with staff support at some point in the future.

Projected # Affordable Units Produced: This action leads to the production of units indirectly as it attracts new resources and increased local capacity to support housing creation activities.

3. Promote Local Approval for the Community Preservation Act (CPA)

Current Status: The Community Preservation Act establishes the authority for municipalities in the Commonwealth to create a Community Preservation Fund derived from a surcharge of 1% to 3% of the property tax, to be matched by the state based on a funding commitment of approximately \$26 million annually. Once adopted the Act requires at least 10% of the monies raised to be distributed to each of 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. More than 100 municipalities in the Commonwealth are benefiting from this important new resource that could be pivotal to Sterling preserving its history, open space and housing affordability.

If Sterling was to pass a referendum to establish a Community Preservation Fund it could expect to raise from about \$218,000 to \$314,000 locally in new funding annually, depending upon the number of exemptions (e.g., first \$100,000, low- and moderate-income households, commercial and industrial property) at the 3% rate. The town is likely to receive a 100% match by the state bringing the total up to as much as \$625,000 at the 3% level or \$315,000 using a 1.5% surcharge without exemptions. Assuming that the first \$100,000 worth of assessed value is exempted from the surcharge, the average household with a home worth approximately \$300,000 will pay about \$75.00 more in taxes annually at the 3% rate, half of that at the 1.5% level. If one-third of CPA funds were directed to affordable housing activities, as much as \$200,000 could become

⁸ Shabecoff, Alice. Rebuilding Our Communities: How Churches Can Provide, Support, and Finance Quality Housing for Low-Income Families, World Vision: Monrovia, California.

available annually (at the 3% level), leveraging more than \$600,000 million in housing activity each year.

Next Steps: The Town's Board of Selectmen should establish a Committee to explore this strategy comprised of members from a variety of Town boards and committees and local organizations, chaired by a member of the Board of Selectmen. The Community Preservation Act Coalition is available to support community efforts related to the CPA and have an excellent web site at www.communitypreservation.org.

If a Committee is designated to review this issue in 2006, it could report back to the Board of Selectmen in time for the matter to be voted on through a referendum in 2007. A community campaign has already begun to be organized to inform residents about CPA and its benefits and should remain active up until the referendum.

Timeframe: Two-Year Plan

Resources Required: Donated time of volunteers to seek support and approval of CPA in Sterling.

4. Access New Housing Resources

Current Status: The affordability of most housing development projects relies on multiple sources of financing involving both private and public loans and grants. It will be important for the Town to proactively encourage the establishment of partnerships with other interested parties including non-profit organizations, lenders, public agencies, and developers to secure the necessary financial and technical resources to create affordable units.

Next Steps: The Town of Sterling should reach out to private, public and non-profit entities to secure additional housing resources – technical and financial – in support of its efforts to produce new affordable housing. Additionally there are numerous public programs that can be helpful in supporting local housing efforts. **A summary of some of these resources as well as pertinent housing regulations (e.g., Chapter 40B, Local Initiatives Program, Commonwealth Capital) is included in Appendix 4.** It should be noted that a number of these programs must be applied for through Commonwealth Capital (see Section V.B.4. for details).

Timetable: Two-Year Plan

Resources Required: Funding will be needed to support the costs of preparing and submitting housing subsidy applications. The Housing Trust could take the lead on completing these applications, however, it is likely that it will require professional support for some of the more complicated applications.

5. Apply Annually for a Commonwealth Capital Score to Secure Funding from State Capital Spending Programs

Current Status: In order to access many of the state resources referred to in the above strategy, it will be important for the Town to apply for Commonwealth Capital scoring. The state has established Commonwealth Capital as a policy that encourages communities to implement smart growth measures by making municipal land use regulations more consistent with smart growth principles and using these reforms as part

of the evaluation of proposals for state funding under a number of state capital spending programs related to economic development, the environment, transportation and infrastructure as well as housing. Municipalities are scored based on what progress has been made in bringing local regulations, policies and land use-related initiatives into greater compliance with smart growth principals. **This program is summarized in more detail in Appendix 4.**

Next Steps: Prepare and submit the scoring application under Commonwealth Capital prior to applying for any of the state's capital spending programs. For FY 2006, applications can be submitted electronically at <http://www.mass.gov/commcap>. To submit Sterling's official application, it will be necessary to access the Town's assigned username and password, which were sent to the attention of the Board of Selectmen.

Timeframe: Two-Year Plan

Resources Required: Will require staff time from the Town Administrator or consultant to prepare the application and subsequent annual applications for scoring under Commonwealth Capital.

6. Secure Professional Support to Implement the Plan

Current Status: If the Town of Sterling wants to assume a more proactive role in promoting affordable housing and effectively implement actions included in this Affordable Housing Plan, it will have to augment its capacity to coordinate these activities. While most of the strategies that are included in this Plan do not by themselves involve substantial amounts of staff time from Town officials or donated time from board and committee members, when considered altogether they require a significant time commitment and involve some specialized expertise in housing programs, policy and development.

Various municipalities have handled this need differently. For example, the Town of Marshfield issued a Request for Proposals for a Housing Coordinator position and has hired a full-time person. The Town of Sandwich is hoping that the Town will fund an Assistant Planner position that will attract someone with housing expertise to oversee the implementation of their Housing Plan. At one time Bedford shared a housing consultant with the Town of Lincoln. Belmont is working with a non-profit development organization located in a nearby community to support its housing activities. Holliston is working with a consultant to implement key initiatives, and at some point in the future is likely to hire a housing professional on part-time basis with CPA funds.

Next Steps: The Board of Selectmen should work with the Town Administrator, the Affordable Housing Committee and eventually the proposed Housing Trust to determine how best to bring on the necessary skills and experience to effectively oversee the implementation of various components of this Housing Plan. Perhaps it would be useful to follow the model being used in Holliston of working with consultants until it is determined that there is sufficient activity to justify at least a part-time staff position.

Timeframe: Two-Year Plan

Resources Required: Assume consultant fees that will vary according to what strategies are undertaken and the scope of services. A part-time staff position would require approximately \$30,000 annually.

Projected # Affordable Units Produced: Unlikely to have a direct impact on actual unit production but essential for coordinating the implementation of this Plan.

7. Establish Annual Housing Summits

Current Status: Most communities lack an effective mechanism for promoting regular communication between relevant Town boards and committees on issues related to affordable housing. It is useful for each locality to determine how it might more effectively communicate on this issue to insure that local leaders remain apprised of housing activities and have an opportunity for input. Some communities have attempted to promote and formalize this communication. Additionally, it may be helpful to open these meetings to the public to continue to foster greater community understanding and participation in the area of affordable housing.

Next Steps: The Board of Selectmen should consider formalizing an Annual Housing Summit. Such a summit could include an annual report from the Affordable Housing Committee or proposed Housing Trust on housing issues and progress towards implementing this Housing Plan.

Timetable: Two-Year Plan

Resources Required: Donated time of local officials, particularly the Affordable Housing Committee or proposed Housing Trust, and staff time of Town Administrator to organize and facilitate.

Projected # of Affordable Units Produced: Unlikely to have a direct impact on actual unit production but helpful in coordinating the implementation of the Housing Plan.

C. Housing Production

To accomplish the actions included in this Housing Plan and meet production goals, it will be essential for the Town of Sterling to reach out to the development community and sources of public and private financing to secure the necessary technical and financial resources. While some of the units produced will rely on the participation of existing homeowners, most of the production will require joint ventures with developers – for profit and non-profit – to create affordable units. For example, competitive Requests for Proposals (RFP's) are necessary for the selection of developers of Town-owned property. For profit developers continue to express interest in developing housing in Sterling, and there are numbers of non-profit organizations that have successfully completed affordable housing projects in Central Massachusetts.

In addition to the active participation of the development community, it will be important for Sterling to actively seek support from state and federal agencies. In addition to the state's Department of Housing and Community Development (DHCD), other state and quasi-public agencies that have resources to support affordable and special needs housing include MassHousing, MassDevelopment, Department of Mental Retardation, Department of Mental Health, Community Economic Development Assistance Corp. (CEDAC), Massachusetts Housing Partnership Fund, and Massachusetts Housing Investment Corporation (MHIC). Regional resources should be considered as well including the Worcester Community Loan Fund and housing assistance through RCAP Solutions for example. Because affordable housing is rarely developed without private financing, project developers will need to reach out to private lenders as well.

The affordable housing production strategies can be divided into four general categories of development:

1. *Development of Public Property*
There are identified Town-owned parcels that might be developed over the next decade to create new affordable housing including both ownership and rentals.
2. *Scattered-site Private Development*
This Plan also incorporates smaller-scale infill development that will have relatively fewer impacts on any single neighborhood as affordable housing creation will be spread geographically throughout town. Additionally, the promotion of affordable accessory apartments will also be scattered throughout Sterling without significant changes to the built or natural environment.
3. *Larger-scale Private Development*
In order to meet Planned Production goals, it will likely be necessary for Sterling to find ways to work cooperatively with private developers, for profit and non-profit, in the creation of affordable housing. As indicated in strategy VI.A.5. above, Town officials should consider the promulgation of Housing Guidelines to provide guidance on what type of housing proposals are likely to be acceptable to the Town and to negotiate with developers towards insuring that new development will satisfy local needs and priorities. Clearly it will be important for the Town to insure that all developments meet the state's Title V and wetlands regulations.
4. *Conversion of the Existing Housing Stock to Affordability*
Options for converting existing housing to some level of affordability should be explored.

The following strategies provide the basic components for the Town to meet its housing production goals:

1. Make Suitable Town-Owned Land Available for Affordable Housing

Current Status: The contribution or “bargain sale” of land owned by the Town but not essential for municipal purposes is a component of Planned Production goals and the Affordable Housing Committee has identified a list of potential Town-owned parcels that might potentially be developed as affordable (see Section IV.A. of this Plan for the list of properties under preliminary consideration). Final determination of the use of these parcels for affordable housing is subject to a more thorough feasibility analysis of site conditions and Town Meeting approval. In addition to currently owned Town parcels, the Town of Sterling may decide that it will acquire privately owned sites over the next decade for the purposes of protecting open space and developing some amount of housing, including affordable housing, through cluster development on a portion of the sites.

Next Steps: The proposed Housing Trust should conduct a preliminary feasibility analysis on existing Town-owned parcels, including those listed in Section IV.A., or on sites identified at a later time that might potentially include some amount of affordable housing. If this analysis indicates that housing might likely be accommodated, the Trust should request approval from the Board of Selectmen and Town Meeting to designate these identified parcels for affordable housing development.

Following the necessary approvals, the Housing Trust in coordination with the Town's Chief Procurement Officer and a housing professional (consultant or staff person at some time in the future possibly) to prepare a Request for Proposals (RFP) to solicit interest from developers based on the Town's specific project requirements and select a developer based also on identified criteria included in the RFP. It is likely that the projects will require densities or other regulatory relief beyond what is allowed under the existing Zoning Bylaw, and the Housing Trust may be able to obtain this relief through normal channels, if community support is assured, or use the "friendly" comprehensive permit process through DHCD's Local Initiative Program (LIP) or MassHousing's Housing Starts Program, for example. Additionally, the Housing Trust will need to be involved in attracting the necessary financial, technical and political support. Evidence of municipal support is often critical when seeking financial or technical assistance from state or federal agencies.

Sterling should consider the following process when planning for the development of Town-owned land:

- *Conduct preliminary feasibility analysis on potential development sites.*
The first responsibility for this action, besides the proposed Housing Trust, will be Town staff or representatives from other boards and committees who are capable of providing technical input as to whether a particular site is feasible for housing development and what constraints must be considered in preparing development plans. Additionally, the Town might explore technical assistance funding from the state's Priority Development Fund or other entity to hire a consultant(s) to conduct the necessary preliminary feasibility analysis.
- *Secure approval from Town Meeting to convey parcel for development to incorporate affordable housing,*
The proposed Housing Trust should make this request and provide supportive documentation regarding the proposed project.
- *Prepare and issue a Request for Proposals (RFP) for developers that includes project guidelines (e.g., approximate size, density, ownership vs. rental, target market/income mix, level of affordability, design issues, community preference criteria, siting, financing available, ownership and management, other stipulations) and selection criteria.*
The Housing Trust should work with Sterling's Chief Procurement Officer on this task.
- *Select developer.*
Once again the Housing Trust should work with the Town's Chief Procurement Officer on the selection process. It will be important for the Town to conduct a fair and rigorous process for reviewing proposals to insure that it designates the most capable developer. The Town might consider a selection process with two phases. First, all applicants must meet specific threshold requirements for their proposals to be considered competitive. All respondents to the RFP who pass the threshold requirements would then be evaluated and ranked according to competitive selection criteria such as:
 - Level of construction experience and capacity.

- Level of financial ability and capacity.
- Cost and price projections (applicants are evaluated according to how the proposal strikes a balance between project quality and cost).
- Quality of the proposed design and product.
- Cost control ability and current capacity.
- Experience working with government-assistance programs.

Based on the proposals and references, the proposals are evaluated and ranked with the most highly qualified respondent earning designation. All of this information should be formally documented.

- *Prepare and finalize plans and budget.*
The designated developer is responsible for this task with guidance from the Housing Trust.
- *Secure regulatory approvals.*
The designated developer is responsible for obtaining regulatory approvals with guidance from the Housing Trust. As the likely designated Town Committee responsible for housing, the proposed Housing Trust can also be helpful in intervening, as appropriate, to expedite approvals and lend local support. If the project involves a comprehensive permit, the affordable housing units can be counted as part of the Town's Subsidized Housing Inventory when the 40B permit is approved and appropriate documentation is sent to DHCD.
- *Secure financing.*
The designated developer will ultimately be responsible for obtaining project financing, including both public and private sources. Support from the Housing Trust will be helpful, and letters of support from the Town, including the Board of Selectmen, will be critical in applying for subsidies where needed.
- *Conduct closing including conveyance of property to the developer.*
The Town will prepare and enter into an agreement that will contain all of the terms of the development and the respective responsibilities of the Town and developer including the disposition of the property for a nominal value representing the Town's commitment to the affordability of the new housing.
- *Secure building permits.*
The designated developer will take the lead.
- *Start construction.*
The designated developer will be responsible.
- *Market and select tenants/owners for affordable units.*
The Town needs to identify an entity to coordinate these functions which could be assumed eventually by the Housing Trust or performed by a capable non-profit housing organization located in a nearby community, or potentially the developer. The developer or local realtors could be involved in marketing the market rate units.

It is important to recognize that Sterling can designate up to 70% of the available units in both rentals and ownership projects for those who meet community preference criteria as established by the Town. Other communities have included children of residents, former graduates of the school system, municipal employees or any Town employees in their definition for receiving priority consideration for new available units under community preference criteria. The Board of Selectmen should establish local policy on the definition of community preference. Sterling should bear in mind that, however unintended, the use of local preference cannot have a discriminatory effect and as such housing lotteries must be marketed throughout the region to meet Fair Housing requirements and comply with all federal and state affirmative marketing regulations to have the affordable units counted as part of the Town's Subsidized Housing Inventory.

- *Complete construction.*
The developer will be responsible.

- *Occupy property*
The designated developer will be ultimately responsible. If the project did not involve a comprehensive permit, documentation must be submitted to DHCD to insure that the affordable units are counted as part of the Town's Subsidized Housing Inventory including:
 - The occupants, tenants or purchasers, have incomes at or below 80% of area median income as documented by tax returns, pay stubs, bank statements, etc.
 - The tenants or purchasers will pay no more than 30% of their income on housing expenses as evidenced through a lease or mortgage documentation,
 - The units have been marketed affirmatively as evidenced through a marketing plan and back-up documentation,
 - A regulatory agreement has been executed between the Town and the owner, project sponsor or individual purchasers, that will restrict use and affordability for the long-term,
 - An agreement is in place with an entity that will be responsible for insuring that the units remain affordable based on the regulatory agreement; and
 - The project has been subsidized by state or federal sources or the Town has committed CPA funding based on allowable, approved and completed activities.

- *Manage property.*
The professional management of new rental housing is critical to the future viability of the development, and the management entity must have a proven track record and be approved by the proposed Housing Trust. If the proposed project sponsor does not have the expertise to undertake project management functions, it should work with the Housing Trust to identify a private company or capable non-profit organization to assume these important management functions.

- *Monitoring of affordability including annual income recertification of tenants in affordable units in the case of rentals and resales in affordable homeownership projects.*

The proposed Housing Trust could consider assuming these responsibilities.

An example of a 6-acre Town-owned site to be developed through Town sponsorship as a rental project might be configured as follows:

- *Project Configuration:* Rental project at 4 units per acre with 50% of the units affordable to those households earning at or below 80% of area median income. Total of 24 two-bedroom units, at least 12 affordable units.
- *Total Development Costs:* Assume rough total development costs per unit of \$180,000 and no acquisition costs; project would involve a total budget of approximately \$4,320,000.
- *Total Operating Expenses:* Assume total operating expenses of \$400/unit/month or \$115,200 annually.
- *Total Operating Income:* Assuming Section 8 rental subsidies for 6 affordable units of \$700 per unit (existing HUD Fair Market Rent for two-bedroom units) and the same amount of rent for the other affordable units and market rate rentals of \$1,000, total project income would equal about \$244,800 annually. This amount could support debt of approximately \$3.1 million after operating expenses.
- *Financing Gap:* Gap of \$1,220,000 or approximately \$50,800 per unit.

All 24 units could be counted as part of the Town's Subsidized Housing Inventory because this is a rental development. The state has encouraged communities to produce housing along a full range of incomes, including middle-income housing for those earning up to 150% of area median income (\$87,600) with rents of up to \$1,460, it would be helpful to have at least 10% or two to three of the above units priced in the \$1,200 to \$1,400 range to reach these households who are priced out of the existing housing market. This would not increase the financing gap substantially.

If the same site was to be developed for ownership, the following scenario is offered:

- *Project Configuration:* Homeownership project on a 6-acre site at 4 units per acre with 50% of the units affordable to those households earning at or below 80% of area median income. Total of 24 three-bedroom townhouses.
- *Total Development Costs:* Assuming rough total development costs per unit of \$200,000 and no acquisition costs; project would involve a total budget of approximately \$4.8 million.
- *Projected Purchase Prices:* \$110,000 per affordable condominium townhouse (assumes condo fee of \$350 per month) and \$250,000 per market rate townhouse totaling \$4.32 million.
- *Financing Gap:* There is a financing gap of \$480,000 or \$20,000 per unit in this scenario.

Under this scenario, only the affordable homes, or 12 units, could be counted as part of the Town's Subsidized Housing Inventory unless legislation is approved that would allow homeownership units to be double-counted as has been proposed in the past.

As indicated above, in addition to existing Town-owned parcels, the Town might consider acquiring other privately owned properties over the next decade, through a debt exclusion of Town tax revenues or by leveraging other financial resources. As sites are identified, the proposed Housing Trust should work cooperatively with the Board of Selectmen, Conservation Commission, and other entities to commit the needed resources to make planned projects feasible. If any of the preliminarily identified existing Town-owned properties are finally determined infeasible or do not obtain approval from Town Meeting, it is anticipated that the projected numbers of affordable units would be met primarily through this acquisition process or private development.

Timetable: Two-Year Plan

Resources Required: It would be useful to have professional support to coordinate this effort, working with the Town's Chief Procurement Officer to prepare a Request for Proposals, coordinate the developer selection process and oversee development and construction, marketing and tenant/owner selection and occupancy. In addition to costs of coordinating development, resources will be required to help subsidize the development. Comprehensive permits typically do not involve external public subsidies but use internal subsidies by which the market units in fact subsidize the affordable ones. Many communities have used the "friendly" comprehensive permit process to take advantage of these internal subsidies, to create the necessary densities to make development feasible, and to make it easier to navigate the existing regulatory system. Other communities are finding that they 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 these objectives. Because the costs of development are typically significantly higher than the rents or purchase prices that low- and moderate-income households 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.

It is likely that a number of financial and technical resources will be required to produce affordable units in Sterling. Appendix 4 includes summaries of many of these, however, some are listed below.

- Predevelopment funding from the state's Priority Development Fund, CEDAC, MHIC, Life Initiative, etc.
- Federal HOME Program financing of up to \$65,000 per unit administered through DHCD for a range of housing activities. These are competitive funding sources, and DHCD typically accepts proposals through two funding rounds per year.
- Possible federal financing through Low Income Housing Tax Credits to developers of affordable housing that provide significant equity into a development. The allocating agency is DHCD and there are typically two funding rounds per year. These funds are directed to rental properties solely and are extremely competitive.
- Section 202 federal financing to non-profit organizations for the development of rental housing targeted to very low-income seniors or those with disabilities.

- Affordable Housing Program grant funding from the Federal Home Loan Bank Board, applied through participating banks.
- Rental subsidies through the Project Based Section 8 Program or individual Section 8 vouchers (this program is administered through the state, Housing Authorities and regional non-profit organizations).
- Section 8 to Homeownership Program, enabling Section 8 subsidy recipients to access homeownership.
- Additional resources that are directed solely to first-time homebuyer projects to make homeownership more affordable including the Soft Second Loan Program, American Dream Downpayment Assistance Program and MassHousing First-Time Homebuyer financing.
- Financing from CEDAC to support innovative forms of affordable housing including SRO's, transitional housing, limited equity cooperatives, etc. and to preserve existing affordable housing developments.
- OneSource Loan Program is a streamlined financing program offered jointly by MHIC and Massachusetts Housing Partnership Fund offering construction and permanent financing in a single package.
- Other state funding programs.

Projected # Affordable Units Produced: 38 units plus 8 middle-income units.

2. Incorporate Accessory Apartments in the Subsidized Housing Inventory

Current Status: Sterling's Protective By-law allows accessory apartments through a special permit. Town records make it difficult to count the number of current permitted accessory units, but it is likely that there are numbers of unpermitted accessory apartments that remain "under the radar." At this time, none of these accessory units, legal and illegal, can be counted in the Town's Subsidized Housing Inventory because they do not meet the state's Chapter 40B definition of affordable housing.

Sterling's housing stock is fairly conducive to the development of accessory apartments because many of the houses are substantial in size. The Housing Needs Assessment has identified that there are low-income households in Sterling who are finding it difficult to pay their taxes and housing expenses. The Town should consider incentives to encourage owners to enter into at least a short-term agreement to maintain their accessory unit as affordable, such as property tax relief. The exemption of property taxes might be especially attractive to elderly owners living on fixed incomes. Having more options available in the housing market, such as small rental units, will serve unmet local needs. (See strategy VI.A.2. for more information on accessory apartments.)

Other communities are looking for opportunities to insure that current illegal units are converted to legal use and at least some portion of current accessory apartments or new accessory units created can be incorporated into the Subsidized Housing Inventory. For example, the Towns of Watertown and Lexington have established amnesty programs allowing a period of time for an owner of a nonconforming second dwelling unit to obtain a certificate of occupancy.

The Town of Barnstable has also implemented a program to enable those with illegal accessory units to come forward and receive necessary assistance to convert their units to legal use and simultaneously to be maintained, in the short-term at least, as affordable and eligible for inclusion in the Town's Subsidized Housing Inventory. This program

was created in recognition of the high number of illegal accessory apartments that some estimated to be approximately 100 and the fact that these units were filling a market demand for housing at rental costs typically below that of other rental units. Barnstable has processed more than 75 units thus far through its program. Key features of Barnstable's Program include:

- Qualifying units include either a single unit in an owner-occupied, single-family dwelling or one or more units in a multi-family dwelling where there exists a legal multi-family use but one or more units are currently unpermitted.
- The property is brought up to health and safety standards with subsidies available to assist owners with these improvements from available municipal, state and federal funds.
- Applicants may select their own tenant provided tenants meet program requirements (within 80% of area median income) and affirmative marketing criteria are met (notices posted at the Housing Authority and at regional non-profit housing agency).
- Applicants receive approval for their accessory units through a comprehensive permit, which is not transferable without prior approval of the Zoning Board of Appeals (Barnstable designates a special Hearing Officer for the accessory units). The units must receive a site approval letter under the Town's local Chapter 40B program. Upon receiving a site approval letter, the owner has three months to file an application for a comprehensive permit under the local Chapter 40B Program with the Zoning Board of Appeals. Required materials for the site approval application include entire property lay-out (plans), septic questionnaire (form prepared by Town), processing fee of \$175.00, deed to the property, certified plot plan, and floor plan. The comprehensive permit application requires the same attachments as the site approval application and an application fee of \$100.00.
- Leases have a minimum term of one year.
- Owners enter into a deed restriction on the affordability of the unit in perpetuity, (a minimum of 15 years in Scituate) but all participating owners can voluntarily choose to cancel the comprehensive permit, in which case the property must be brought into compliance with the underlying zoning and the Town can no longer count the unit as affordable as part of its state-defined Subsidized Housing Inventory. The use restriction/regulatory agreement/declaration of restrictive covenant must be recorded at the Registry of Deeds in a form that meets the approval requirements of DHCD's Local Initiative Program.
- Each year the applicant files an affidavit with the Town listing the rent charged and the income level of the occupants to verify compliance with Program requirements. This information must be verified annually by the Monitoring Agent.
- Barnstable now allows applicants to use a detached structure or build a new addition to their property for the purpose of creating an accessory unit.
- The average processing time of an application has been two and a half months.
- Comprehensive permits for an accessory apartment are not transferable without prior approval of the Zoning Board of Appeals.
- The Town commits resources to support this Program including briefing and support through every stage of the Program, free site visit(s) with a licensed Housing Inspector to determine needed upgrades to the property for Program participation, assistance assembling the application packet for the ZBA hearing,

the Town prepares and presents the comprehensive permit documents for the hearing, a waiver of fees for property inspection and the monitoring of the affordability restrictions, and assistance in locating resources to assist in bringing the property into compliance with Title V, State Building and Sanitary Codes.

- The Town Administrator should make a quarterly progress report to the Board of Selectmen.

The Town of Scituate has also implemented an Affordable Accessory Apartment Program and their requirements for consideration include:

- Accessory apartments are allowed by right based on the requirements set forth in the Zoning Bylaw, with some differentiation of requirements between zoning districts although the Planning Board may waive some of the requirements and provide approval through a special permit.
- The maximum affordable rental, exclusive of utilities, should not exceed 30% of the monthly income of a household earning 70% of area median income based on household size, except if the unit receives a state, federal or local subsidy, the maximum rent may be as allowed by the subsidy program as long as the tenant's share of the rent does not exceed 30% of monthly income.
- An application for an affordable accessory apartment is subject to site plan review.
- No more than a certain number of accessory units, 15 in Scituate, can be issued in any one calendar year.
- The septic system serving the lot must meet current Title V regulations and be reviewed and approved by the Board of Health.
- Applicants must submit the following before an occupancy permit can be issued – a copy of the affordability restriction signed by the owner and Town, the original to be filed with the Registry of Deeds; a certificate of approval from DHCD through the Local Initiative Program; a notarized affidavit from the owner verifying that the unit will be occupied by a qualified renter, that the owner will provide annual certification of compliance with the bylaw and that the owner will occupy one of the dwelling units.

Next Steps: The Housing Trust, in tandem with other appropriate Town boards and committees, should determine how best to adapt an Accessory Apartment Program to the town of Sterling, develop an implementation plan, and initiate the program. This is likely to require professional support through a consultant or Town staff position for housing.

Timeframe: Five-Year Plan

The implementation plan could be developed within the next several years to be considered by Town Meeting sometime within the next five years.

Resources Required: Inspections and other costs related to Program administration could be covered by modest processing fees. Barnstable charges applicants \$175.00 to pay for the initial application fee and another \$100 to process the comprehensive permit. The costs of monitoring the Program could be supported by fees derived from participating homeowners, perhaps \$25.00 annually. Additionally, if the Town were to offer tax relief to participating owners, it would forego a certain amount of tax revenue annually

Projected # Affordable Units Produced: 14 units (this unit count is also included under strategy VI.A.2).

3. Support Scattered-Site Housing

Current Status: Many communities are looking for opportunities to create affordable housing through efforts that will spread the impacts of new housing production throughout the community so as not to overburden any particular neighborhood. There are lots, both Town-owned and privately-owned, that are geographically spread throughout Sterling that might accommodate more limited numbers of new housing units in support of Planned Production goals and local needs.

Next Steps: The Town can work with for profit and non-profit developers as well as with abutters of vacant land to develop new infill housing on available vacant sites scattered throughout town. The Town can play a helpful role in supporting developers in applying for subsidies to insure that at least some of the units are affordable and can be included in the Town's Subsidized Housing Inventory; can negotiate "friendly" Chapter 40B projects through DHCD's Local Initiative Program, MassHousing's Housing Starts Program, or the Federal Home Loan Bank Board's New England Fund; and can encourage abutters to create affordable housing on vacant adjacent lots. Additional resources to support such development can be accessed through the state and federal governments.

Habitat for Humanity has expressed an interest in developing new affordable homes in Sterling, for example, and continues to look for donated public and private land on which to build. Organizations that support special needs housing are active throughout the area and may have an interest in developing group homes in Sterling. There are also excellent models of small comprehensive permit projects in other communities that incorporate several income tiers to meet the housing needs of those within a wide range of incomes.

Timeframe: Five-Year Plan

Resources Required: It will be helpful for the Housing Trust to support such efforts and, when possible, make scattered Town-owned parcels available for affordable housing development through Requests for Proposals.

Projected # Affordable Units Produced: 4 units

4. Convert Existing Housing Units to Affordability

Current Status: Because Sterling has a limited supply of affordable housing that is eligible for inclusion in the state-defined Subsidized Housing Inventory, currently 44 units, the Town should explore a range of options for creating new affordable units and should not overlook the potential of working with for profit, non-profit and local residents on strategies to not only preserve the affordability of the existing housing stock but to, when possible, convert existing market units to state-defined "affordable" units. This strategy is particularly challenging in Sterling because of the very limited supply of multi-family rental properties and condominiums that are typically the most feasible targets for "buy-down" initiatives aimed at purchasing, improving, subsidizing and reselling or leasing units in accordance with Chapter 40B requirements. Most towns that are embarking on purchase-rehab programs, including communities with high market values, are focusing on multi-family properties with at least two units. Even purchasing homes at the lower end of the price range, in the low \$200K range, will require a subsidy to improve and make the unit available to a low- or moderate-income household.

Next Steps: The Housing Trust should look for opportunities to acquire property or work with other sponsors to convert existing unsubsidized units into new affordable housing. Using existing Trust Funds or funding from other resources, such as the Worcester Community Loan Fund, the Trust could purchase units on the market, make the necessary repairs, and create either ownership or rental units as follows:

- Acquire the property through the Affordable Housing Fund that has been capitalized by a number of resources including CPA funds at some time in the future, lower interest rate financing from private lending institutions, and perhaps Community Development Block Grant funding or other subsidies from the state;
- Make the needed improvements;
- Undertake project marketing to locate qualified purchasers and conduct a lottery working with a participating lender to pre-approve applicants for mortgage financing;
- Select purchaser(s) through a lottery (if there is only a single unit involved it is difficult to justify using community preference, whereas doing several units would enable the Town to insure that up to 70% of the units go to applicants with a connection to Sterling);
- Prepare and complete a Units Only application to DHCD for the Local Initiative Program to get the unit(s) counted as part of the Town's Subsidized Housing Inventory and to insure long-term affordability; and
- Close on project, executing the use/deed restrictions (to the greatest extent possible with restrictions in perpetuity and resales indexed to HUD area median income) and turning the deed over to qualifying homebuyer(s).

An example of how such a project might be financed is as follows:

- *Acquisition:* Acquire two three-bedroom homes for an average of \$230,000 each for a total of \$460,000.
- *Improvements:* Make needed improvements totaling \$100,000 for both properties. This amount will also include the fee to the non-profit for marketing the units and coordinating the development process.
- *Resale:* Resell homes for an average of \$170,000 with deed restrictions and revolving \$340,000 into the Affordable Housing Fund. This would involve a subsidy of \$110,000 per home.

If the three units were to be converted to rental units, the same acquisition and rehab process could be used as described under the homeownership model, however, the units would be marketed for rent and those with Section 8 rental subsidies could be encouraged to apply. This rental model may be of particular interest to the Housing Authority who could own and manage the units offering them to those on their waiting list. If each unit cost \$280,000 to acquire and rehab and project income from rents is expected to be \$25,200 annually (\$700 per month per unit), there will be \$14,400 available to support private debt after operating expenses of about \$10,800 (\$300 per month per unit), requiring more than \$200,000 in total subsidies per unit, which becomes an excessive amount of subsidy for this type of project. However, if one of the three units was sold as affordable for \$170,000, the amount of subsidy per unit on the rentals comes closer to \$115,000.

Another option for producing affordability through the existing housing stock was introduced under the strategy of waiving property taxes for qualifying households in exchange for deed restrictions as described in Section VI.A.9. The strategy suggested that the Town reach out to homeowners who are living on very limited incomes, the elderly in particular, to enable them to live in their homes for as long as they would like by offering sufficient financial incentives in exchange for a long-term affordability restriction. This proposal indicated that the Town might find that the exemption of property taxes is not an adequate enough incentive for residents to assume restrictions on the resale price and an additional subsidy might also be required to make this strategy viable. The resale restriction has the effect of ensuring that when the house is sold it will be affordable and sold to a buyer who has an income at or below 80% of area median income and includes the appropriate income and resale conditions to “count” as part of a community’s state-defined Subsidized Housing Inventory under Chapter 40B. In addition to property tax relief, the financial incentives might include funds for both building improvements, which would insure the physical viability of the property over time, plus an upfront grant or an annuity, which would provide the owner with a steady long-term income stream. The subsidy might come from potential future CPA funds. For example, there may be some opportunity to work with the members of the Sterling Camp Meeting Association to enhance the long-term viability of homes in this area by securing subsidies for property improvements in exchange for long-term affordability.

Timeframe: Five-Year Plan

Resources Required: Some professional staff time to work with the Affordable Housing Committee or proposed Housing Trust to develop projects including support for securing subsidy funds.

Projected # Affordable Units Produced: 9 units

D. Housing Preservation

Housing production is critical, but the Town also needs to be concerned that it does not lose current as well as future units counted as part of its Subsidized Housing Inventory and provides resources to support the deferred home maintenance needs of seniors.

1. Monitor Affordability of Subsidized Housing Inventory

Current Status: Based on how housing was financed, how long the affordability requirements were established, and other stipulations in affordability agreements, the affordable status of housing units may be in jeopardy in many communities in the future. Sterling’s existing Subsidized Housing Inventory – the 40 units at Sholan Terrace, owned and managed by the Housing Authority, and the four new units at Pratts Junction – are likely to remain affordable over the long-term. However, it will be up to the Town to monitor

Next Steps: It is important to insure that all affordable housing units that are produced remain a part of the Town’s Subsidized Housing Inventory for as long a period as possible. The proposed Housing Trust should closely monitor developments with affordable units, and the Town should intervene if necessary to maintain the units as affordable through the courts or through purchase and refinancing if necessary.

Timeframe: Two-Year Plan

Resources Required: Donated time of members of the Housing Trust.

Projected # Affordable Units Produced: While this strategy is unlikely to create new affordable units, it is essential for maintaining existing affordable units.

2. Help Qualifying Homeowners Access Housing Assistance

Current Status: Some town residents, including seniors living on fixed incomes, are finding it increasingly difficult to afford the costs associated with rising taxes, energy costs and home improvements. Additionally, some seniors and those with special needs require special handicapped adaptations and repairs to help them remain in their homes. Sterling residents might also benefit from technical and financial support in the case of septic failures and Title V compliance issues.

There are state resources available that provide financial and technical support for qualifying owners of homes that need repair, upgrading and de-leading. For example, Sterling, in coordination with the neighboring communities of Lancaster, Lunenburg and Harvard, is participating in the Four Town Regional Housing Rehab Program that is coordinated by the Montachusett Regional Planning Council (MRPC) with state support through Community Development Block Grant funding. This program offers technical and financial assistance to homeowners earning no more than 80% of area median income. To date, approximately a dozen homeowners in Sterling have participated in this Program. For more information on this Program and others see Appendix 4.

Next Steps: Through the community educational campaign recommended in Section VI.B.1, important information on housing improvement resources could be disseminated to real estate professionals, local organizations and community residents. The Council on Aging is also an important resource for providing seniors with information on available programs.

Timeframe: Two-Year Plan

Resources Required: The Town, through its Council on Aging, Housing Authority and the proposed Housing Trust, should provide the necessary education and referrals to programs sponsored by MRPC, RCAP Solutions, Southern Middlesex Opportunity Council, Inc. (SMOC), Central Massachusetts Housing Alliance, and MassHousing for example, which provide low-cost financing for repair needs including de-leading, septic systems and other home improvements.

Projected # Affordable Units Produced: Unlikely to produce new affordable units but instrumental in helping seniors and others with special needs remain independent in their homes.

VII. DESCRIPTION OF USE RESTRICTIONS

As has been indicated in various sections of this Housing Plan, the Town of Sterling is committed to maintaining its Subsidized Housing Inventory for as long a period as possible. Affordable units must serve households with incomes no greater than 80% of the area median income for which the unit is located. Units must be subject to use restrictions or re-sale controls to preserve their affordability as follows:

- For minimum of thirty years or longer from the date of subsidy approval or construction for new construction.
- For a minimum of fifteen years or longer from the date of subsidy approval or completion for rehabilitation.
- Alternatively, a term of perpetuity is encouraged for both new construction and completion of rehabilitation.

Units are or will be subject to an executed Regulatory Agreement between the developer and the subsidizing agency unless the subsidy program does not require such an agreement. The units have been, or will be marketed in a fair and open process consistent with state and federal fair housing laws. The resale prices included in homeownership projects should be indexed to HUD's area median income as opposed to market value to better assure this affordability over the long-term. The annual recertification in the case of rental agreements should be the responsibility of the project sponsor who must report annually to a housing entity approved by the Town, perhaps the Housing Trust or Housing Authority. The responsibility for monitoring resales of affordable homeownership units could be assumed by Citizens Housing and Planning Association (CHAPA), which is performing this function for affordable developments throughout the state.

Appendix 1
Map of Existing and Potential Affordable Housing Projects

Appendix 2 – Summary of Housing Action Plan

Actions	Timeframe for Commencing Implementation		# Affordable Units
	Two-Year	Five-Year	
A. Planning and Regulatory Reform			
1. Adopt inclusionary zoning	X		*
2. Amend accessory apartment bylaw	X		14
3. Explore adoption of 40R		X	10
4. Waive permit fees	X		*
5. Adopt Affordable Housing Guidelines/private development		X	241
6. Allow affordable housing on noncomplying lots		X	4
7. Encourage flexible zoning		X	*
8. Waive property taxes in exchange for deed restrictions		X	(under C.4)
B. Build Local Capacity			
1. Conduct educational campaign	X		*
2. Create Affordable Housing Trust and Fund and capitalize	X		*
3. Promote CPA	X		*
4. Access new housing resources	X		*
5. Apply annually for Commonwealth Capital scoring	X		*
6. Secure professional support	X		*
7. Establish Annual Housing Summits	X		*
C. Housing Production			
1. Make suitable Town-owned land available for affordable housing	X		38
2. Incorporate accessory apartments in the Subsidized Housing Inventory		X	14 (also under A.2)
3. Support scattered-site housing		X	4
4. Convert existing housing to affordability		X	9
D. Housing Preservation			
1. Monitor affordability of Subsidized Housing Inventory	X		*
2. Help qualifying homeowners access housing assistance	X		*

** Indicates actions that are unlikely to directly produce new affordable units by themselves but are key to creating the resources that will contribute to actual unit creation.*

APPENDIX 3

SAMPLE AFFORDABLE HOUSING DEVELOPMENT GUIDELINES

For Consideration and Possible Adaptation to Sterling

These Affordable Housing Guidelines include a number of factors that might be considered and possibly adapted to Sterling in an effort to articulate project characteristics that are likely to be welcomed by the Town for further discussion and negotiation on affordable housing developments.

- **Affordability**

The Housing Needs Assessment that is part of this Affordable Housing Plan indicates housing needs across the full range of incomes including families, seniors and others with special needs. Even households earning at the median income level are increasingly finding it difficult to purchase a house in Sterling. While the actions in the Housing Plan focus housing production on households with incomes at or below 80% of area median income, the Plan also takes into consideration mixed-income developments for a number of reasons. First they minimize the stigma that can be identified with a housing development that is exclusively limited to low- and moderate-income units. Second, they allow for the creation of internal subsidies⁹ that cover at least some of the costs associated with producing the affordable units such that the market units cross subsidize the affordable ones. Third, they promote the creation of units that are targeted to those households earning above 80% of area median income but within the state's definition of middle-income, up to 150% of area median income, many of whom are also priced out of Sterling's housing market. Consequently, Housing Guidelines incorporate different income tiers to better serve the diverse needs of the community.

Town-Owned Property

Homeownership Developments

At least 50% of the units should be affordable to those earning at or below 80% of area median income with sales prices calculated for those earning no more than 70% of median to offer a sufficient "marketing window" for first-time homebuyers. At least 10% of the units should be directed towards households earning between 80% and 150% of median income to cover the needs of moderate- and middle-income households who are priced out of the current housing market.

Rental Developments

At least 50% of the units should be affordable to those earning at or below 80% of area median income with many of these units targeted to those earning less than 60% of median income, with even affordability reaching down to those with incomes of 50% or 30% of the area median to reach very low-income households when feasible. Another 10% of the units should be directed to those earning between 80% and 150% of area median income to address housing needs of those moderate- and middle-income households who are priced out of the current housing market.

Privately Owned Property

Homeownership Developments

Promote the inclusion of at least 30% of the units reserved for those earning at or below 80% of area median income and at least another 10% to those earning above

⁹ Internal subsidies are possible when the prices of the market units are sufficient to cover the costs associated with constructing the affordable units where purchase prices are lower than unit costs.

80% of median income but at or below 150% of area median income to address a range of housing needs.

Rental Developments

Promote mixed-income communities for rental projects and whenever feasible, with the inclusion of subsidy funds, increase the level of affordable rental units to at least 30% of total housing units targeted to those earning at or below 80% of area median income. Projects that set-aside units for low-income households earning less than 60% of area median income or more moderate- and middle-income households earning up to 150% of area median income will receive priority consideration.

- **Unit Mix**

Based on a distribution of needs by seniors, starter households, families, and special needs populations, developments shall strive for an overall equal distribution of one, two and three bedroom units with the inclusion of some four-bedroom units in family developments. Sterling needs both new affordable homeownership and rental opportunities for its seniors and families.

Elderly Housing:

Mix of one and two-bedroom units, of which 10% shall be barrier free and accessible for the wheelchair bound.

Family Housing:

Mix of two and three-bedroom units with at least 5% of units including 4-bedroom apartments.

Special Needs Housing:

Mix of efficiencies and one-bedroom units with allowance of shared living facilities such as congregate units and group homes.

- **Design Criteria**

Affordable units should be designed to be harmonious in appearance, construction, and quality of materials with the other units in the development and with the surrounding neighborhood. It is important that new development contribute to the historic, small town character of Sterling. Affordable units should be integrated and dispersed throughout the development and subsidized and market rate units should not be distinguishable from the exterior. Appropriate recreational facilities should be provided, pedestrian access and bike path required, and vegetation buffers required for projects of more than 30 units.

- **Location**

The Housing Plan emphasizes the distribution of affordable housing throughout the town of Sterling in an attempt to avoid unnecessarily high impacts from new development in any one area. Another objective is to look for affordable housing opportunities that will minimize impacts on the built or natural environment such as the refinancing and redevelopment of existing housing, the creation of accessory apartments, or the redevelopment of those areas of town most accessible to transportation, goods and services such as the Town Center and other commercial areas. The Plan also acknowledges that growth will put greater burdens on limited public services, including schools, and future growth will most likely cause some schools to experience greater burdens than others.

- **Size and Density**

The density of a particular development should relate to its location in the community whether it is in a residential zoning district, a business district or in an area that is relatively removed from an existing neighborhood. In all residential districts the total number of proposed dwelling units within the development should not exceed four units per acre to comply with these guidelines and in all other districts the number of proposed dwelling units within the development should not exceed eight units per acre unless there are compelling reasons to increase densities for project feasibility. Additionally, structures may be built up to three stories in all zoning districts. These guidelines encourage the use of triplexes and quadruplexes and discourage structures with more than six units per building.

- **Open Space and Landscaping**

The project should incorporate open space of at least 15% of the parcel, and to the greatest extent possible based on the size of the parcel, this open space should be set aside as common land and maintained by a homeowners association or the owner of the property. All projects must also include proper landscaping such as grass, trees and shrubs, insuring the same number and quality of items for all units in the development, including the affordable units. Cluster development is encouraged for larger projects of more than five units.

- **Parking**

Each dwelling unit in a development targeted to seniors must include one parking space and in developments targeted to families, two parking spaces must be provided.

- **Environmental Concerns**

Avoid targeting development projects to areas that are ecologically sensitive and will degrade nearby conservation land. Developers should also be prepared to support plans for addressing water and septic services and address the impact of the traffic created by the development.

- **Marketing**

The proposed Housing Trust could assume the responsibility of marketing affordable units in any proposed development including managing the lotteries.

- **Affordability Restrictions**

Deed riders or affordable rental restrictions should assure continued affordability in perpetuity to the greatest extent possible. The resale prices included in homeownership projects should be indexed to HUD's area median income as opposed to market value to better assure this affordability over the long-term. In regard to monitoring and enforcing the affordability restrictions on homeownership projects, DHCD is now serving as monitoring agent on all Local Initiative Program project and Citizens Housing and Planning Association (CHAPA) could assume responsibility for all other. The Housing Authority, Housing Trust or another entity would be identified as monitoring agent for rental developments.

- **Management**

The professional management of new rental housing is critical to the future viability of the development, and the management entity must have a proven track record and be approved by the Town of Sterling through its Housing Trust.

APPENDIX 4 SUMMARY OF HOUSING REGULATIONS AND RESOURCES

I. SUMMARY OF HOUSING REGULATIONS

A. Chapter 40B Comprehensive Permit Regulations

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 U.S. Department of Housing and Urban Development.
- Restrictions must run for minimum of 30 years or longer for new construction or for a minimum of 15 years or longer for rehabilitation. Alternatively, the project can provide 20% of the units to households below 50% of area median income.
- 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.

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 by the municipality.

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 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 they can make a joint application to DHCD for certification under the Local Initiative Program (for more information see description in Section I.E below).

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 the application fee high enough to cover administrative costs, 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.

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.

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.

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 planned production goals based on an approved plan. 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. Planned Production Regulations

The Massachusetts Department of Housing and Community Development (DHCD) is administering the Planned Production Program in accordance with regulations that enable cities and towns to do the following:

- Prepare and adopt an affordable housing plan that demonstrates 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 (20 units and 39 units, respectively, for Sterling until the new census figures are available in 2011) for *approval* by DHCD.¹⁰
- 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 production documentation to DHCD, or 24 months if the 1.5% 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.
- Address a mix of housing consistent with identified needs and market conditions.
- Include a description of use restrictions.
- Address at least one of 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.

C. Commonwealth Capital

The state has established *Commonwealth Capital* as a policy that encourages communities to implement smart growth by utilizing the smart growth consistency of municipal land use regulations as part of the evaluation of proposals for state funding under a number of state capital spending programs including:

- Self Help/Urban Self Help (EOEA – DCS)
- UrbanRiver Visions Implementation (EOEA)
- Agricultural Preservation Restriction Program (EOEA – DAR)
- Bike and Pedestrian Program (EOT)
- Transit Oriented Development Bond Program (EOT)
- Public Works Economic Development Program (EOT)
- Community Development Action Grant Program (DHCD)
- Coastal Pollutant Remediation Grant Program (EOEA – CZM)
- Drinking Water Supply Protection Grant Program (EOEA)
- Economic Development Fund (formerly Ready Resource Fund) (EOEA)
- State Revolving Fund (EOEA – DEP)
- Land Acquisition Programs (EOEA – DCR, DFG)

¹⁰ Massachusetts General Law Chapter 40B, 760 CMR 31.07 (1)(i).

- Urban Brownfields Assessment Program (EOEA)
- Commercial Area Transit Node Grant Program (DHCD)
- Affordable Housing Trust Fund (DHCD)
- Housing Stabilization Fund (DHCD)
- Off-Street Parking Program (EOAF)
- Land & Water Conservation Fund (EOEA – DCS)
- Housing Development Support Program (DHCD)

The state's goal is to invest in projects that are consistent with the Office of Commonwealth Development's Sustainable Development Principles that include:

1. Redevelop first;
2. Concentrate development;
3. Be fair;
4. Restore and enhance the environment;
5. Conserve natural resources;
6. Expand housing opportunities;
7. Provide transportation choice;
8. Increase job opportunities;
9. Foster sustainable businesses; and
10. Plan regionally.

Grant applicants to the programs listed above apply directly to each of the specific programs, but additionally, each municipality must apply annually to the state's Office of Commonwealth Development (OCD) for a Commonwealth Capital score, which can now be done electronically. Communities should submit this application to OCD for scoring at least by the due date of the program to which they are applying. The resulting score will be used for all Commonwealth Capital programs to which a community applies that year.

D. Chapter 40R

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 last year 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 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".¹¹ 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

¹¹ 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.

community and stakeholder collaboration in development decisions.”¹² 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:

Incentive Payments	
<i>Incentive Units</i>	Payments
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. 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 enact the Zoning Districts, would be “able to ensure that what is built in the District is compatible with and reflects the character of the immediate neighborhood.”¹³

The principal benefits of 40R include:

- 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;

¹² Massachusetts General Law, Chapter 40R, Section 11.

¹³ “A Housing Strategy for Smart Growth and Economic Development: Executive Summary,” p. 4.

- 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 will hold those communities participating in 40R harmless from costs added to school budgets as a result of the 40R-related development.

E. 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 units include the following:

- Must be affordable to those earning at or below 80% of area median income.
- Deed restricted or other recorded instrument to guarantee affordability.
- The affordable units design, type, size, etc. must be the same as the market units and dispersed throughout the development.
- Marketing and outreach, including lottery administration, in adherence with Fair Housing laws. LIP requires that the lottery draw and rank households by size.
- For over 55 projects, only one household member must be 55 or older.
- No third party mortgages.
- Income and asset limits determine eligibility for lottery participation.
- For homeownership projects, the calculation of affordability presumes a 30-year, fixed rate mortgage and 5% down payment.
- 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).
- A maximum of 70% of the units may be local preference units for those who live/work in the community.
- For homeownership units, must have deed restrictions for at least 15 years for housing rehabilitation and 30 years for new construction. For rental units, must have a regulatory agreement and monitoring agent to annually certify that the affordable units are occupied by those with incomes at or below 80% of area median income and pay no more than 30% of their income on housing expenses.

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
 - Developer and Town submit proposal to DHCD

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
 - Purchase arrangements for each buyer.

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 not being developed through a comprehensive permit such as the case with accessory apartments or inclusionary zoning. Following occupancy of the units, a “Units Only” application must be submitted to DHCD for the units to be counted as affordable. This application is on DHCD’s web site.

Note: Affordable units subsidized by Community Preservation funding solely are not required to go through the LIP review process, but documentation must be submitted to DHCD (Elizabeth Malloy) for each affordable unit that includes a Subsidized Housing Inventory form and the following:

Approval for Rental Units

- Documentation of tenant eligibility including income from all household members, numbers in households, and leases;
- A signed regulatory agreement between the Town and owner regarding the use restriction and long-term affordability of the units;
- An affirmative marketing plan that describes how the units will be marketed;
- Documentation of the approval and use of Community Preservation funding; and
- Documentation of how the affordability restrictions will be enforced through a monitoring agreement to be executed by the Town, owner and designated monitoring agent.

Approval for Ownership Units

- Documentation of owner eligibility including income and assets from all household members;
- A deed rider between the Town and owner regarding the use restriction and long-term affordability of the units;
- An affirmative marketing plan that describes how the units will be marketed;
- Documentation of the approval and use of Community Preservation funding; and
- Documentation of how the deed rider will be enforced through a monitoring agreement to be executed by the Town, owner and designated monitoring agent.

II. SUMMARY OF HOUSING RESOURCES

Those programs that may be most appropriate to development activity in Sterling are described below.¹⁴

A. A. Technical Assistance

1. Priority Development Fund¹⁵

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 willingness to increase its housing supply in ways that are consistent with the Commonwealth's principles of sustainable development (see Section I.E.2. above for the list of these principles).

Eligible activities include community initiated activities and implementation activities associated with the production of housing on specific sites. Community initiated activities include but are not limited to:

Zoning activities that support the program objectives include:

- Incentive zoning provisions to increase underlying housing density;

¹⁴ 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; Carlisle Mosquito, June 13, 2005.

¹⁵ Description taken from the state's program description.

- Smart Growth Zoning Overlay Districts;
- 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 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; 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. 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.

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.

5. Smart Growth Technical Assistance Grants

The state recently announced the availability of *Smart Growth Technical Assistance Grants* from the Executive Office of Environmental Affairs that provides up to \$30,000 per community to implement smart growth zoning changes and other activities that will improve sustainable development practices and increase scores on the Commonwealth Capital application. Eligible activities include:

- Zoning changes that implement planning recommendations;
- Development of mixed-use zoning districts;
- Completion of Brownfields inventory or site planning;
- Implementation of stormwater BMPs;
- Completion of Open Space Residential Design bylaws/ordinances;
- Implementation of Low Impact Development (LID) bylaws/ordinances; and
- Development of a Right-to-Farm bylaw/ordinance or zoning protections for agricultural preservation.

The state requires that localities provide a match of 15% of this special technical assistance fund and encourages communities that are interested in the same issues to apply jointly. Preference will be given to applications that improve sustainable development practices, realize a commitment from a community’s Commonwealth Capital application (see Section V.B.4.), and implement a specific Community Development or Master Plan action. Additional preference will be offered those communities with lower Commonwealth Capital scores to support towns that have the greatest need for improved land use practices. For FY 2006, applications were due in mid-August for projects that must be completed by June 30, 2006.

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.

It is likely that a number of financial and technical resources will be required to produce affordable units in Sterling. Unlike more than 100 other communities in Massachusetts, Sterling has not approved the Community Preservation Act and does not have this funding available to support affordable housing. If CPA funds do not become available in the future, the Town will have to rely on other existing resources to make affordable housing development feasible.

The state requires applicants to submit a One Stop Application for most of its housing 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.

It is also important to note that state funding for housing is extremely competitive, and those communities with Executive Order 418 Housing Certification (see Section I.C. above for details) will have a competitive edge over those that do not.

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 homebuyers.

The HOME Program funding is targeted to homebuyers or homeowners earning no more than 80% of median income, or \$56,700 for a family of four, 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 (\$42,500 for a family of four), 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 (\$35,450 for a family of four). In addition to income guidelines, the HOME Program specifies the need for deed restrictions, resale requirements, and maximum sales prices or rentals.

Because Sterling is not an entitlement community, meaning that it is not automatically entitled to receive HOME funding based on HUD's funding formula, the Town would need to join a consortium of other smaller towns and cities to receive funding or submit funding applications to

DHCD on a project by project basis through its One Stop Application. The benefit of joining a consortium is that funding is provided by formula on an annual basis, assuring Sterling of a steady flow of this flexible funding source, however, at this time there are no consortiums operating in North Central Massachusetts and needs to apply directly to DHCD for this 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). Those communities that do not receive HOME or CDBG funds directly from HUD, like Sterling, can apply for up to \$65,000 per unit. 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.

The program that potentially has the greatest applicability in Sterling is the **Housing Development Support Program (HDSP)** that provides gap financing for small affordable housing projects with fewer than eight units, including both new construction and rehabilitation. Eligible activities include development, rehabilitation, homeownership, acquisition, site preparation and infrastructure work. There are no per unit maximums or recommended maximum total development costs. Funding is distributed through Notices of Funding Availability that occur once or twice a year. HDSP Program funding is extremely competitive, and projects that receive funding through the state HOME or Housing Stabilization Fund Programs are excluded from applying to HDSP.

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. This may be the best source of CDBG funding for Sterling besides HDSP described above. Funding is also awarded competitively through an annual Notice of Funding Availability. 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 state administers the Affordable Housing Trust Fund Program that can be used to build or renovate new affordable housing, preserve the affordability of subsidized expiring use housing, and renovate public housing. The Fund is sited within DHCD but is managed by the MassHousing with guidance from a 15-member advisory committee. 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 obtaining financing.

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. Massachusetts Preservation Projects Fund

The Massachusetts Preservation Projects Fund (MPPF) is a state-funded 50% reimbursable matching grant program that supports the preservation of properties, landscapes, and sites (cultural resources) listed in the State Register of Historic Places. Applicants must be municipality or non-profit organization. Funds can be available for pre-development including feasibility studies, historic structure reports and certain archaeological investigations of up to \$30,000. Funding can also be used for construction activities including stabilization, protection, rehabilitation, and restoration or the acquisition of a state-registered property that are imminently threatened with inappropriate alteration or destruction. Funding for development and acquisition projects range from \$7,500 to \$100,000. Work completed prior to the grant award, routine maintenance items, mechanical system upgrades, renovation of non-historic spaces, moving an historic building, construction of additions or architectural/engineering fees are not eligible for funding or use as the matching share. A unique feature of the program allows applicants to request up to 75% of construction costs if there is a commitment to establish a historic property maintenance fund by setting aside an additional 25% over their matching share in a restricted endowment fund. A round of funding was recently held, but there are no future rounds authorized at this time.

12. 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.

13. 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.

B. 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. Sterling is already a participating community in the Program.

2. American Dream Downpayment Assistance Program

The American Dream Downpayment Assistance Program is also awarded to municipalities or non-profit organizations on a competitive basis to help first-time homebuyers with down payments and closing costs. While the income requirements are the same as for the Soft Second Program, the purchase price levels are higher based on the FHA mortgage limits. Deferred loans for the down payment and closing costs of up to 5% of the purchase price to a maximum of \$10,000 can be made at no interest and with a five-year term, to be forgiven after five years. Another loan can be made through the program to cover deleading in addition to the down payment and closing costs, but with a ten-year term instead, with at least 2.5% of the purchase price covering the down payment.

3. 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. Those organizations that offer these workshops in closest proximity to Sterling are located in Worcester and Fitchburg.

C. C. Home Improvement Financing

1. Four Town Regional Housing Rehab Program

The Montachusets Regional Planning Commission (MRPC) has been working with Sterling as well as neighboring Lunenburg, Lancaster, and Harvard on funding applications to DHCD and the management of the Four Town Regional Housing Rehab Program. This Program, funded since July 2004 with Community Development Block Grant funds through the state, provides technical and financial assistance to qualifying homeowners for necessary housing repairs thus bringing properties into compliance with housing codes and regulations and prolonging the long-term viability of existing housing that is affordable to those with incomes at or below 80% of area median income. Approximately a dozen homeowners have been assisted in Sterling thus far through this Program. The Program provides up to \$30,000 (\$35,000 if lead paint or asbestos removal are involved) in the form of a deferred loan that can be forgiven after 15 years. MRPC provides a rehabilitation specialist who is available to identify the necessary work, provide cost estimates, assist with finding a contractor and monitor the completion of the work.

2. 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. The loans are serviced by MassHousing. 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 offers 100% financing for lead paint removal on excellent terms that are based on ownership status and type of property. An owner-occupied, single-family home may be eligible to receive a 0% deferred payment loan up to \$20,000 that is due when the house is sold, transferred or refinanced. An owner-occupant of a two-family house could receive up to \$25,000 to conduct the de-leading work. Maximum income limits for owner-occupants are \$ 74,400 for one and two-person households and \$85,500 for three or more persons. Investor-owners can also participate in the program but receive a 5% fully amortizing loan to cover costs. Non-profit organizations that rent properties to income-eligible residents are also eligible for 0% fully amortizing loans that run from five to 20 years. Applicants must contact a local rehabilitation agency to apply for the loan (Framingham and Worcester both have agencies that are involved in the Program).

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.