



## TOWN OF GROTON

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### Town of Groton Affordable Housing Trust

Colleen A. Neff, *Chair*  
Allen B. King, *Vice Chair*  
Stuart M. Schulman, *Treasurer*  
Joshua A. Degen, *Secretary*  
David A. Wilder, *Member*

**Town Manager**  
Mark W. Haddad

### Meeting Minutes

Date: May 18, 2011  
Time: 7 p.m.  
Location: 2<sup>nd</sup> Floor Meeting Room, Town Hall  
173 Main Street Groton, MA 01450

Present Members: Colleen Neff, Allen King, David Wilder and Josh Degen  
Absent Members: Stuart Schulman  
Others in attendance: Fran Stanley, housing coordinator  
Meeting handouts: none

Chair Colleen Neff called to order at 7:03 p.m.

#### **134 Main Street Update & Town Meeting Update**

Colleen introduced the first two agenda items to the group. David Wilder asked the group to consider its role going forward with respect to 134 Main Street. Josh Degen summarized his recommended stance that the Affordable Housing Trust adopt a hands off role until all the permitting is completed. During the brief discussion that followed, it appeared that all present agreed that Josh's summary represented the both the proper stance for the Trust as well as the role promised to Groton residents at Spring Town Meeting.

Once all permitting is completed, Trust members agreed to evaluate the shareholder agreement with a general intention to execute the agreement and invest in the 134 Main Street project. Trust members directed Fran Stanley to contact Bob France and request a proposed shareholder agreement. Specifically, the agreement should also include the more recently negotiated provision that allows an early out option for the Trust under certain conditions. Trust members agreed that it may avoid delays if the Trust can allow ample time for Town Counsel to vet Mount Laurel Development's contract language.

#### **Funding Request for Affordable Housing Closing Costs**

Fran Stanley described a request sent to the Affordable Housing Trust by an affordable housing buyer seeking financial assistance from the Trust for help paying for closing costs. Regulations intended to protect buyers participating in the purchase of a designated affordable housing unit also limit the flexibility of the homebuyer to finance closing costs. Had this loan application been considered as a part of a private transaction, this buyer would have been able to finance a portion of her closing costs. In this instance, the Commonwealth of Massachusetts regulations barred that recourse.

There was a brief discussion about the role of the Trust and whether this is an appropriate area of support. This discussion turned on the understanding of each member's fiduciary responsibility for the Trust's funds. Should the Trust always turn a profit? Should it spend its seed money without any mechanism for future recovery of that expenditure? However, Trust members readily identified the primary difficulty in that the Trust will not be funded with its \$412,000 until July 1<sup>st</sup>, 2011 and, when those funds arrive, these monies are committed [\$400,000 for 134 Main Street investment and \$12,000 set aside for legal costs related to that investment].

Josh Degen moved that the Affordable Housing Trust deny the request for assistance with closing costs as the Trust's funds are committed elsewhere. David Wilder seconded this motion and the motion was approved unanimously.

David Wilder noted that the request for Trust funding by an outside individual prompts the Trust to consider its policies with respect to this and future requests. David has experience in drafting such policies and offered his services when the Trust's funds grow to include funds not already designated for particular purposes.

Trust members agreed that it would need to attract more funds in order to be more active in its work. Presently, funds due to enter the Trust will be directed to the 134 Main Street project. As David observed, theoretical profits to be realized from this investment may be realized in time for the Trust to consider a role in the redevelopment of the former Prescott school.

Trust members directed Fran to investigate the Commissioner of Trust Funds' fourteen funds to see if the Affordable Housing Trust falls within any of the permissible spending areas for those trust funds. David Wilder suggested that the housing coordinator also try to obtain grants for the AHT as the TRsut would like to accept such gifts. The Affordable Housing Trust can accept funds from the public, private businesses, individuals and even foundations.

Josh Degen proposed that the group consider soliciting PILOT funds from the two large private schools in town. PILOT is an acronym that stands for payment in lieu of taxes. This is a plan that has worked in Cambridge via contributions to the Cambridge Affordable Housing Trust by Harvard University and the Massachusetts Institute of Technology. The group considered whether the Board of Selectmen would be agreeable to the AHT asking Lawrence Academy and the Groton School to direct 10 percent of their annual PILOT contributions to the Trust. PILOT monies typically arrive around July 1<sup>st</sup> of each year.

As the AHT acquires more funds, it may designate funds any of the following programs:

- Invest in creation of affordable housing that provides a return of investment for the AHT (such as is planned with 134 Main Street);
- down payments for affordable housing buyers;
- partial guarantee of portfolio loans for affordable housing buyers; or
- convert market rate housing stock to affordable units by helping qualified affordable housing buyer to buy home (AHT investment would be protected by silent second and AH deed restriction).

The last idea was deemed to have particular merit because it does not increase overall housing stock and this strategy may be less risky to the Trust's assets than a more usual method of purchasing a market rate unit and "flipping" it to an affordable housing unit.

The group agreed to consider a number of proposals for its future actions should it receive additional capital. Colleen Neff volunteered to make a presentation to the Board of Selectmen on behalf of the Trust regarding the Trust's request for PILOT monies. It is anticipated that Stuart Schulman and Josh Degen as members of both groups would need to withdraw from consideration of the Trust's proposal when it is reviewed by the Selectmen.

### **Affordable Housing Mortgage Lending Avenues**

Fran Stanley updated the Trust regarding the status of mortgage lending in the affordable housing market. Federally backed Fannie Mae has retreated from the market and is limiting its loans in an effort to reduce its potential losses in the event of a default. For example, Fannie Mae will not back a condominium loan unless at least 70 percent of the other units are either sold or under agreement to be sold. Also, Fannie Mae limits its overall lending to no more than 25 percent of the units in any one development. These changes are of particular import to affordable housing applicants because they are directed to obtain a loan that meets certain requirements that are typically considered protective of a homebuyer's interests. Many FHA loans and Fannie Mae backed loans met these requirements. With fewer federal loans available, affordable housing applicants run the risk of failing to find a mortgage.

While all members present were aware of large shifts in the federal mortgage market, David Wilder and Allen King were particularly familiar with the way the so-called credit crunch is impacting affordable housing buyers. Legal phasing of condominiums is an established tool to cope with Fannie Mae's 70 percent rule. More condominium buyers may be need to seek portfolio loans from the banks who hold the condominium development's construction loan.

**George Wheatley Affordable Housing Proposals**

George Wheatley was not able to attend this evening’s meeting and this agenda item will be postponed until he is able to attend a trust meeting to present his ideas.

The group decided to set the fourth Wednesday of each month as a regular meeting time for the Trust. The next meeting of the Town of Groton Affordable Housing Trust is scheduled for Wednesday, June 22<sup>nd</sup> at 7 p.m.

Colleen Neff adjourned the meeting was adjourned at 8:40 p.m.

Minutes drafted by Fran Stanley.

**Meeting Minutes Overview**

<b>Meeting Date</b>	<b>Status</b>	<b>Town Website</b>
September 8, 2010	Final	Posted
October 13, 2010	Final	Posted
November 17, 2010	Final	
December 20, 2010	Final	
February 2, 2011	Draft	
April 6, 2011	Draft	