

7 C. FINANCIAL FEASIBILITY STATEMENT

A full preliminary financial analysis is attached as Appendix B. Anticipated sources of financing include:

- Approximately \$6.9 million in private financing;
- Approximately \$1.25 million in TIF proceeds over 30 years;
- Approximately \$400,000 in AHP funds;
- Approximately \$100,000 in CDBG funds.

The TIF calculation was made based on a 70% shift. The projection is that it would be possible to borrow the \$1.25 million against the dedicated TIF proceeds. The remaining 30% of taxes would go to the Town. This revenue stream, would grow over the stabilized period from approximately \$100,000 annually to around \$170,000 during the 30-year life of the TIF.

Additional assistance requested from the Town might potentially include:

- No-cost land;
- Access to land across the road for stormwater retention/treatment;
- Acceptance of the new road as a public street.

7 D. ANTICIPATED LEVEL OF AFFORDABILITY

The Developers Collaborative will work with the Workforce Housing Committee to find a financially feasible approach to meeting the Committee's stated goal of making 41% of the units available to families at or below 80% of Area Median Income and the remaining 59% of the units available to families between 80% and 120% of AMI. Given the very high infrastructure costs of the proposed site it may be difficult for the project to support this level of targeting. However, to meet the goal of 41% at 80% of AMI, it will be critical to meet the requirements of subsidy programs such as CDBG and Federal Home Loan Bank Affordable Housing Program.

In analyzing the table provided in Appendix B, we believe that the affordable house price ranges are overly optimistic and would not be attainable by the targeted income groups. In working with the affordable units at Heron Cove, MaineHousing determined that the maximum affordable price for a two-bedroom unit at 80% of AMI would be \$140,700 and \$201,290 at 120% of AMI. These prices are based on the same AMI as Falmouth and allow for underwriting at levels higher than 30% of income for interest, principal, taxes and insurance. We have found it difficult to find families under 80% of median who can be successfully underwritten at the \$140,000 price point. The prices need to allow for a window between the maximum income to qualify and the income required to afford the price. In our financial analysis of the project we have used what we feel to be more realistic sales prices as shown in the following table.

Bedrooms	Household Size	House Price	
		Low Range	High Range
1	1	\$110,000	\$180,000
2	2	\$120,000	\$200,000
3	3	\$140,000	\$225,000

The Developers Collaborative team is proposing a mix of one and two bedroom multi-family units and two bedroom and three bedroom detached units. We believe that the affordability restrictions should be commensurate with the level of subsidy and appropriate to the type of unit. The nominal price of any unit should reflect its actual market value, with the difference between the market price and the attainable price captured in a soft-second mortgage. The multi-family ownership units will be structured as condominium ownership and will not provide many opportunities for owners to upgrade and invest extra value into their unit. It is therefore possible to use deed restrictions that create perpetual affordability to the same income target at which they were initially sold. Jim Hatch has successfully used a combination of soft second mortgages and deed restrictions to accomplish perpetual affordability in a number of workforce ownership projects. It is difficult to obtain perpetual affordability for single-family homes since to do so would create a severe disincentive to improve the property over time. Jim has experience with shared appreciation models that provide a compromise between long-term affordability and allowing the owner to obtain benefit from improvements.

These mechanisms proposed to maintain long-term affordability have been proven in Freeport over almost two decades and through multiple changes in ownership. They are efficient to administer and can successfully protect the Town's investment over the long run. The Town has two options for administering long-term affordability. Many towns opt to hold and monitor the affordability covenants themselves. If the Town does not wish to take on this responsibility, then the covenants must run to a non-profit housing organization. Our nonprofit partner, Coastal Enterprises, Inc. (CEI) has experience monitoring affordability restrictions for their existing projects and will be willing to assume this responsibility if the Town so chooses.

8. DESCRIPTIONS OF ALL PARTNERS

Creating ownership housing that is attainable by working families poses a daunting task that requires the participation of many partners from all sectors; nonprofit, for profit and public. The Developers Collaborative will reach out to partners from all sectors to find financial support and other benefits to make this project possible.

Our primary nonprofit partner will be Coastal Enterprises, Inc. (CEI). CEI brings to the project over twenty years of experience in the affordable housing field. Not only have do they have direct experience developing single-family ownership projects, but they offer a wide range of supports for both developers and home buyers. CEI is primarily a community development bank and as such creates and offers lending products that help put complex housing projects together. They offer subordinate financing to assist primary lenders with risk mitigation and exposure, as well as pre-development funding and asset-based products that assist in bridging the difficult path from concept to permanent closing. CEI will play a central role in the construction financing package required to bring this project to reality.

CEI does not offer first mortgages to individual buyers, but they do offer a menu of program assistance for first time buyers and existing owners who may need counseling for mortgage

delinquency. CEI operates a regular series of classes in Home Buyer Education that meet the state requirement for certification. The education and counseling programs offer information to owners who may be in trouble or who may simply need to learn more about the mortgage financing business as it relates to their loan or potential loan. CEI will provide these services to prospective homebuyers of Falmouth Workforce Housing.

Another key partner in the Developers Collaborative plan is Habitat for Humanity of Greater Portland. This local Habitat affiliate has successfully partnered with the Town of Falmouth on four homes that now house deserving members of the Falmouth community. Habitat has agreed to take responsibility for construction of six homes in the project. This represents 30% of the 20 homes in the project targeted to families at or below 80% of median. Turning over six homes to Habitat will significantly decrease the amount of outside subsidy required to meet the goal of providing 41% of the units at 80% AMI and will increase the economic diversity of the new neighborhood. Habitat is now building very attractive and energy efficient homes that will fit in perfectly with the overall goals of the project.

A key source of the subsidy required to make ownership housing attainable by households at 80% of AMI is the Federal Home Loan Bank of Boston (FHLBB). The Affordable Housing Program (AHP) offered by FHLBB is very competitive, but it favors ownership projects such as the one contemplated by Falmouth. We anticipate obtaining subsidy financing in the amount of \$400,000 from the FHLBB AHP for this project.

To access the AHP the project sponsor must partner with a member bank. Developers Collaborative proposes partnering with Bath Savings Institution (BSI). BSI is a local savings bank with a strong record of community involvement. They have an active Community Reinvestment Officer who has shepherded many successful AHP applications. In addition, they are active mortgage lenders in the MaineHousing First Time Homebuyer Program. BSI has been the primary mortgage lender for participants in Freeport Housing Trust's affordable condo ownership projects and understands the nuances of lending on homes that have affordable housing covenants. The Falmouth branch of BSI will be a major resource for homebuyers in the proposed project.

Funding from the Community Development Block Grant Program (CDBG) has proven to be a key source of subsidy for almost every affordable housing project undertaken by the Developers Collaborative, both rental and ownership. The ability to use CDBG to fund public infrastructure makes it especially useful for ownership housing subdivisions. Cumberland County has recently taken over administration of the CDBG program for most municipalities in the county, including Falmouth. Jim Hatch has written over 10 successful CDBG applications, including the first CDBG grant funded by Cumberland County for housing. We believe that the Falmouth Workforce Housing project can be successful in obtaining \$100,000 from the CDBG program to help provide infrastructure for the project.

Another important partner for any ownership project is a real estate broker who understands the complexities of financing subsidized ownership housing. The Developers Collaborative will partner with David Whitten of Whitten properties. David has worked with Berman Associates on the sales and marketing of Heron Cove. His firm has a unique approach to real estate sales, providing both marketing and sales support. The firm has a marketing professional on staff with particular expertise in Internet-based marketing. David Whitten is unique in the brokerage community in his commitment to, and knowledge of, green housing. David is also an active member of the Maine Green Building Council and can facilitate the buying process with the ability to show the benefits of architecturally designed space, the yearly savings in energy use, the

certainty that certified energy efficient homes will resell better than their bigger, less efficient counterparts, and by having knowledge about, and access to, evolving financing instruments.

David's fifteen years of experience in renewable energy and green building combined with his six years of residential real estate practice puts him in a unique position to facilitate the marketing and sales of affordably priced, energy efficient housing.

9. OTHER FINANCIAL TOOLS OFFERED

As described in Section 8 above, Coastal Enterprises is a provider of Home Buyer Education classes that provide perspective home buyers with certification necessary to qualify for various lending programs. These courses will be offered to buyers of homes in the Falmouth Workforce Housing project. CEI will also provide credit counseling as may be required by prospective buyers.

CEI can also fulfill a primary role in the administration of the workforce housing program. They are prepared to take and screen applications and work with mortgage lenders to verify household income. If the Town determines that it does not desire to hold and monitor the affordability covenants, CEI is also prepared to take on this role.