



## Nantucket Affordable Housing Trust Fund



### Covenant Formation Assistance Program (CFAP)

The purpose of the Nantucket Housing Needs Covenant Program is to create, make available and maintain housing that is affordable to those who earn up to 150% of the Nantucket County median household income. The Covenant Program serves residents situated in low, moderate and middle income groups, providing a way for these residents to purchase a home or continue to reside on Nantucket if they wish to do so. The Covenant Program generates and preserves affordable housing in the Town of Nantucket in perpetuity, in order to maintain Nantucket's diversity and unique sense of community.

**Purpose:** The Covenant Formation Assistance Program (CFAP) is intended to assist owners of residential property who need assistance paying the initial costs required to create a Nantucket Housing Needs Covenant ("Covenant") Home. The goal of the program is to increase the number of Covenant Homes available for purchase among the low, moderate and middle income households in Nantucket County.

The Town of Nantucket, through its Affordable Housing Trust Fund (AHT), will provide a loan of up to \$10,000 to eligible residential property owners to put towards eligible costs to create a new Covenant unit. This is an eighteen month, zero-percent (0%) loan program subject to repayment as described below.

Housing Nantucket administers CFAP on behalf of the AHT.

**Eligibility:**

- Applicants must be an individual or individuals owning Nantucket property that meets Covenant Secondary Lot requirements pursuant to the Nantucket Zoning Bylaws
- Corporations, limited liability companies and other forms of corporate entities are ineligible for CFAP
- There are no income-eligibility requirements for CFAP applicants (however, purchasers of Covenant units may only earn up to \$150% of Nantucket AMI)
- CFAP cannot be used on land that is already in the Covenant Program i.e. conversion of Condo Covenant to Secondary Lot Covenant
- CFAP Applicants must provide written certification that they will adhere to all program and loan repayment rules and requirements.
- Loan funds may be used for costs required to create a Covenant Home including: survey work, legal fees, Registry of Deeds recording fees, Permit Coordinating, professional fees, Planning Board fees, and other costs approved by Housing Nantucket

## Property Requirements:

- The property must be a residential parcel located in Nantucket County
- Land presently having one or two structures on it are eligible
- Vacant land is eligible
- Land presently subject to a Covenant restriction on it is not eligible
- Land cannot be subject to restrictions prohibiting second dwellings or prohibiting subdivisions
- Allowable in LUG-1, LUG-2, LUG-3, R-40, R-10, R-20/SR-20, VR, ROH/SOH, and R-5 zones
- Requires secondary lot to have minimum 20' frontage or for the two lots to have a common driveway
- The minimum lot size for the smaller of the two lots shall be at least 40% of the minimum lot size for the district in which the lot is located
  - Except in the LUG-2 and LUG-3 Districts, where the secondary lot may be reduced to 20,000 sq. ft.
  - For pre-existing nonconforming lots, the Planning Board may issue a special permit defining the lot areas.
- Setbacks from original lot must be maintained, but setbacks between newly created lots can be waived
  - requires secondary lot to have minimum 20' frontage or for the two lots to have a common driveway
- The relationship between the primary and secondary dwellings is only restricted by setback and ground-cover requirements per zoning

## More Details:

- Available on a first-come, first-served basis. Program funds are limited.
- Loans will not exceed \$10,000 and are solely for eligible costs to create a Covenant lot as determined by Housing Nantucket
- AHT shall release funds to Housing Nantucket, who will administer the program by directly paying eligible vendors for eligible expenses
- Any excess funds will be returned to AHT by Housing Nantucket. The promissory note will state the balance is due to AHT, less any excess funds not disbursed. Any such excess funds shall be returned to AHT. This is an 18 month, zero-percent (0%) interest loan to be repaid by Property Owner to AHT when the newly created Covenant lot is sold or transferred. Loan amount is only for eligible funds used to create covenant home, as reflected by Housing Nantucket's accounting sheet of costs approved by Property Owner. There is no pre-payment penalty. If after 18 months the Covenant property is not sold or transferred to an eligible party, the loan amount plus deferred interest at a rate of 6.0% will be due to AHT as per terms defined in the promissory note. Interest will accrue at 6.0% until loan is repaid. For example, if \$10,000 was disbursed for closing costs, and after 18 months was not paid in full, \$10,481.72 is then due and continues to accrue interest at a rate of 6.0% until paid in full.
- The Covenant Transaction Fee, which in 2019 is a flat fee of \$3,880 applicable to every Covenant Transaction and due at closing, is not included in this loan program and is paid from the proceeds of the closing. The Covenant Transaction Fee will change in January 2020.



## Covenant Formation Assistance Program (CFAP) Application

Applicant Name: \_\_\_\_\_

Applicant Name \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Physical Address: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Address of Property comprising proposed Covenant Unit : \_\_\_\_\_

Name of Property Owner: \_\_\_\_\_

Mortgages and/or Encumbrances affecting the Property: \_\_\_\_\_

<p><b>For Office Use Only</b> Date Received:</p>
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In signing this application I/we hereby certify that:

- The information contained in this application is true and accurate to the best of my/our knowledge and belief under the full pains and penalties of perjury and understand that perjury will result in disqualification from further consideration
- I/We have read and understand all the general information provided about the CFAP Program and the Nantucket Housing Needs Covenant Program. I/We understand the covenant restriction is a Deed Rider that is recorded on the property at the time of the first transaction into the Covenant Program.
- I/we understand that I will sign a promissory note at the time this application is approved. A mortgage securing repayment of the promissory note will be recorded on my property immediately. I/we understand is my/our obligation to fulfill the repayment terms of the CFAP promissory note.
- I/we understand that the Covenant Transaction Fee, which is a flat fee applicable to every Covenant transaction, is not included in loaned funds and is due at closing.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Submit to Housing Nantucket, 75 Old South Road, PO Box 3149 Nantucket, MA 02584**

[info@housingnantucket.org](mailto:info@housingnantucket.org)