

November 26, 2006

In regards to: Affordable Housing Program

Joseph Cavo, Council President
Common Council of the City of Danbury
155 Deer Hill Avenue
Danbury, CT 06810

Dear Joseph Cavo,

I am writing in regard to the Affordable Housing program currently in effect for 4 units (including mine) in the Maple Village Condominium Association located at 1 Union Avenue, Danbury. Overall, I believe this to be a wonderful program that personally allowed me to become a homeowner at the young age of 24, however the provision for price appreciation was poorly designed and has resulted in a zero allowable price increase over the past 4+ years despite a concurrent cumulative inflation rate of 11.3% and one of the strongest housing markets in history. I would simply like to ask the Common Council to consider an amendment to this Affordable Housing program to allow for a more appropriate benchmark for allowable price appreciation, and would like the opportunity to review this request with the Common Council at the earliest possible date. Below are the specifics of my proposed revision:

Current Resale Restriction (proposal to revise underlined section)

The maximum sales price of the affordable housing units shall not exceed \$138,500.00 (the "Initial Sale Price"), provided that the sales price may be reasonably periodically increased as follows:

The Initial Sales Price of an affordable housing unit shall be adjusted by the Resale Index ("Index"). The Index shall mean the calculated percentage change in the Danbury median income for a household of four using the income guidelines as published by HUD.

Proposed Resale Guideline (underlined text to be added)

The Index shall mean the calculated as the greater of 1) the percentage change in the Danbury median income for a household of four using the income guidelines as published by HUD or 2) the inflation rate as measured by the Consumer Price Index (CPI) for the same period of time.

Additionally, I have attached a few exhibits to further illustrate my concerns and detail the dynamics of actual experienced inflation, market-based housing appreciation, and Danbury incomes that have occurred since the inception of the affordable housing program at Maple Village in 2002. Please feel free to contact me directly (phone or e-mail) with any questions or to simply discuss how best to proceed. I will concurrently be contacting all 20 Maple Village residents to gain their support and have been working with Paul Schierloh who has been extremely helpful and shares my view that the initial appreciation index was poorly designed. Thank you in advance for considering this request and I look forward to working with you and the Common Council to reach a fair resolution.

Sincerely,



Rich Bozzuto
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12-1

EXHIBIT I - Inflation Dynamics

Intent of Proposed Revision

Clearly I'm not seeking a windfall profit on my property, but am simply looking to realize a fair and extremely modest appreciation rate consistent with the primary benefit of home ownership. As currently designed, the affordable housing program is failing to accomplish its primary objective of extending the benefits of home ownership to those with below median income as the amount of contributed equity on a 30-year mortgage has not even kept pace with inflation (see exhibit below detailing my specific mortgage) and therefore the economics of purchasing one of these units is virtually the same as renting but with the more burdensome down payment and maintenance requirements.

The data table directly below illustrates the amount of appreciation that would have been realized at the CPI inflation rate over the past 4 years versus the total gain I've realized via paying down my mortgage (conventional 30-year mortgage with 10% down payment). As the table clearly indicates, the equity gain I've realized is less than half the inflation rate and on a net basis I've actually incurred a loss by holding this property for 4+ years.

Inflation Dynamics

Purchase Price **138,500** (Oct 2002)

	Inflation Based Appreciation			Actual Equity Gain**	
	CPI%	Adj* Price	Inflation Impact	Mortgage Balance	Accumulated Equity Gain
2003	2.3%	140,532	2,032	122,194	1,727
2004	2.7%	144,306	3,774	120,371	1,822
2005	3.4%	149,195	4,889	118,449	1,923
2006 (YTD Oct)	3.2%	153,992	4,797	116,766	1,683
Cumulative Total	11%		15,492		7,155

Net Inflation Adjusted Gain/(Loss) on Property (8,337)

* Adjusted price calculated simply by applying inflation rate to initial purchase price

** Year-end mortgage balances based upon actual amortization schedule for my mortgage

12-2

EXHIBIT II - Market Based Pricing (Reference Only)

Historical Maple Village Appreciation (Non-Affordable Housing Units)

Below are the historical initial sale prices and any (3) subsequent resale prices for all 20 units in the Maple Village condominium community (designated affordable units highlighted). As this data dramatically highlights, the rates of appreciation realized by the non-affordable housing units (31 - 72%) have been dramatic and resulted in a significant disparity where the non-affordable units are now priced at 2x the affordable units versus and initial disparity of 1.3x.

Although I am not seeking appreciation anywhere near the rates realized by the non-affordable housing units, it is important to remember that these rates are representative of the overall Danbury housing market over the past 5 years and the net result has actually been a reduction in the home purchasing power of those participating in the affordable housing program as these individuals have experienced below inflation returns while the overall market has increased significantly (clearly, this was not the intent of this program).

Unit #	Initial Sale Price		3rd Party Sale		%Gain	Yrs	APY
	Price	Date	Price	Date			
Unit #1	138,500	6/9/2003					
Unit #2	179,500	11/8/2002					
Unit #3	192,500	2/26/2003					
Unit #4	138,500	11/25/2002					
Unit #5	189,500	12/3/2002	325,000	10/13/2005	72%	2.9	21%
Unit #6	191,000	1/27/2003					
Unit #7	138,500	10/29/2002					
Unit #8	184,900	5/6/2003	242,500	11/23/2004	31%	1.6	19%
Unit #9	184,900	6/18/2003					
Unit #10	197,900	2/28/2003					
Unit #11	197,900	3/7/2003					
Unit #12	120,000	4/25/2006					
Unit #13	209,900	4/24/2003					
Unit #14	197,900	4/15/2003					
Unit #15	220,000	9/2/2003					
Unit #16	179,500	10/31/2002					
Unit #17	179,500	10/31/2002					
Unit #18	138,500	11/19/2002					
Unit #19	209,900	6/27/2003	308,000	7/25/2006	47%	3.1	13%
Unit #20	207,150	8/6/2003					

12.3

EXHIBIT III – HUD Income Measures (2002 vs 2006)

Danbury Income Dynamics

The primary shortcoming of the Median Family Income (MFI) measure is that it is heavily influenced by the population mix dynamics, often more so than real earnings growth. Below are the historical growth rates for both the MFI as well as the specific low income metrics used by HUD; as you will see all three of the low income benchmarks have increased materially (9-10%) over the period in question (consistent with inflation) however the MFI has declined 2% likely due to an increased mix of low to mid-income families within the overall Danbury population.

Alternatively, if the CPI Index is deemed not to be an ideal benchmark, I would propose the ‘Low Income’ measure as defined by HUD as a replacement for the MFI measure as it is less influenced by population mix and has a greater correlation to the earnings power of prospective buyers of an affordable housing unit.

	<u>2002</u>	<u>2006</u>	<u>Delta</u>
Median Family Income (4-person family)	98,100	95,900	-2.2%
Other HUD Measures (4-person family)			
30% of Median	26,200	28,600	9.2%
Very Low Income	43,700	47,700	9.2%
Low Income	54,400	59,600	9.6%
Inflation (CPI Index)	181	202	11.3%