

Town of Needham
Spring 2023 Town Meeting

Article 23
Appropriate for NHA Pre-Development Work
at
Seabeds Way and Captain Robert Cook

INFORMATION
&
FREQUENTLY ASKED QUESTIONS
(FAQs)

OVERVIEW

NHA Preservation and Redevelopment Initiative – In 2021, Needham Housing Authority (NHA) launched a 5-10 year Preservation and Redevelopment Initiative (PRI). With respect to NHA's housing stock and developments, its goals are to:

1. Redevelop NHA's Linden Street & Chambers Street properties (senior/disabled housing).
2. Redevelop NHA's High Rock Estates property (family housing).
3. Preserve/renovate NHA's Seabeds property (senior/disabled housing).
4. Preserve/renovate NHA's Capt. Robert Cook property (family housing).
5. Build ~120 new units of deeply affordable housing on underutilized NHA land.

Spring 2022 Town Meeting supported Goal 1 with a CPA funding award of \$1,386,000 for predevelopment expenses to redevelop the Linden Street and Chambers Street properties. This year's CPA funding request, if approved by Town Meeting, will support the Goals 3 and 4 by providing \$241,052 for pre-development expenses to preserve and modernize the Seabeds Way and Captain Robert Cook properties.

BACKGROUND

NHA Formation & Mission – The Needham Housing Authority (NHA) was formed on May 7, 1948, by vote of Needham Special Town Meeting. NHA is organized under the provisions of Massachusetts General Laws, Chapter 121B, as amended. For Needham, Chapter 121B empowers NHA to provide deeply affordable housing for low-income families, elderly persons and disabled persons, and to engage in preservation, modernization, redevelopment, and new construction projects.

NHA's mission statement is "to provide decent, safe and affordable housing for low to moderate income families and individuals, and to offer programs and resource to improve the quality of life for our residents." At its most basic level, the NHA defines its mission 1) to be an excellent landlord and 2) to advocate for and create more deeply affordable units in Needham. To achieve our mission, the NHA proactively pursues opportunities to preserve, repair, and modernize our existing housing stock, as well as to develop additional new deeply affordable homes for low-income individuals or households who want to live in Needham.

The NHA manages 160 units of state subsidized housing and 176 units of federally subsidized housing, collectively occupying ~42 acres of land in Needham. NHA tenants do not pay more than 30% of their monthly income for rent. "Subsidized" means that either the state or federal government provides NHA the difference between the total rent collected from NHA tenants and the costs of property management, maintenance and capital improvements.

NHA also manages 123 Section 8 vouchers, another federal housing program. With a Section 8 voucher, a low-income individual or family can rent a home from a private sector landlord, paying no more than 30% of their monthly income in rent. The difference between what the tenant pays and the market rate rent is paid by the NHA to the landlord.

In sum, NHA manages a total of 459 units of deeply affordable housing that are available for income-qualifying residents in Needham. 336 units are provided in six developments managed by NHA. 123 units are provided by private sector landlords to tenants who have Section 8 vouchers provided by NHA. To be eligible for a deeply affordable unit, an individual or family must earn less than 50% of the Area Median Income (AMI) upon admission. By way of example, 50% of the 2022 Area Median Income for Needham is \$49,100/yr. for a single person and \$70,100/yr. for a family of four. Waiting lists for available NHA units are typically 2+ years long, and preference is given to existing Needham residents.

NHA housing units are distributed among 115 structures that range from single family residences to duplexes to multi-unit apartment buildings. Five additional buildings are used for community services and maintenance. The buildings are located in northern Needham near the radio tower off of Central Avenue and in the High Rock neighborhood west of Needham Junction. Both the buildings and approximately 42 acres of land owned are owned by NHA.

THE PROBLEM

Aging Infrastructure —The vast majority of the NHA buildings are quite old and have suffered from years of inadequate capital investment:

- 60 buildings are more than 70 years old
- 25 buildings are more than 60 years old
- 10 buildings are more than 40 years old
- 20 buildings are relatively new

Few of the structures meet contemporary standards for accessibility, sustainability, or resident amenities. NHA has been subjected to decades of underfunding from the state and federal governments, leading to a substantial amount of deferred maintenance and capital improvements. Most need a significant infusion of new capital funds for preservation, modernization, or redevelopment.

Shortage of Affordable Housing – The need for affordable housing in Needham is great. The recently completed 2022 Needham Housing Plan states that the Town currently has "742 actual affordable units (p. 130)", meaning affordable to an individual or family that makes less than 80% of Needham's area median income. In another section, the Housing Plan goes says that Needham currently "has a shortfall of 1,328 affordable units, 620 rentals and 708 ownership units (p. 27 & Table III-3)."

Preserving/Modernizing Existing Affordable Housing Stock is Critical -- NHA provides 45% of the 742 actually affordable housing units in Needham. Needham's extreme shortage of affordable housing makes it important that NHA invest in preserving and modernizing its existing affordable housing at Seabeds Way and Captain Robert Cook. Approving Article 23's funding grant of \$242,042 will provide critical pre-development funding to achieve this goal.

FREQUENTLY ASKED QUESTIONS

Article 23 Appropriate for NHA Seabeds Cook – \$241,052

What is being funded?

Article 23 seeks funding to help pay for pre-development expenses related to the modernization of NHA-owned and operated properties: Seabeds Way and Captain Cook. Seabeds Way is a 46-unit development for low income elderly/disabled residents, all 1 bedroom apartments. Captain Robert Cook is a 30-unit development for low-income families, comprised of two-, three-, and four-bedroom townhouses. The properties are adjacent to one another and have not been comprehensively modernized since the early 1980s due to insufficient funding. In 2021-2022, NHA procured Property Conditions Reports for both properties that identified their capital needs and rated the overall condition of Seabeds Way as “fair” and Captain Robert Cook as “poor.”

The NHA is in the process of submitting an application to the U.S. Department of Housing and Urban Development (HUD) for the repositioning of Seabeds Way and Captain Robert Cook. “Repositioning” means transferring the NHA funding subsidization stream from the Section 9 program of the US Housing Act of 1937 (public housing) to the Project-Based Section 8 program of the 1937 Act. When the repositioning is completed, it will generate substantial additional annual operating and capital improvement resources. The repositioning program that NHA will be using for Seabeds Way and Captain Robert Cook requires construction to begin at the property in order for the repositioning to take full effect. NHA will use the additional resources generated by the repositioning to renovate and preserve the 4 buildings at Seabeds Way and 6 buildings at Captain Robert Cook Drive.

This Article 23 funds pre-development expenses for the long-term preservation of Seabeds Way and Captain Cook, which will allow the NHA to begin construction at the two properties by the end of 2024. It will provide funding to pay (in part) for the procurement of an architectural/engineering team to establish the construction scope of work and develop construction drawings; to procure necessary third party reports, such as a market study and site environmental report; and to cover costs associated with project management and legal services.

It is important for construction to occur at Seabeds Way and Captain Robert Cook in order to preserve this critical affordable housing stock for future generations. Beginning construction of the preservation and modernization renovations is a prerequisite for activating the substantially increased funding stream made possible by repositioning to the Section 8 program.

Where are the properties located? What do they look like?

The two NHA-owned and operated federally subsidized housing developments are located on the following streets in Needham:

- Seabeds Way (46 units of deeply affordable senior/disabled housing)
- Captain Robert Cook Drive (30 units of deeply affordable family housing)

Please see the map included in Attachment A and property photos in Attachment B.

Are there any matching funds from non-Needham taxpayer sources?

Yes, in three ways:

1. The estimated pre-development budget is \$1,134,375, of which \$241,052 will be covered by the Article 23 CPA funding grant. The remaining \$893,323 will be covered through NHA's federal capital funding program, other available NHA reserves, and potentially a pre-development loan.
2. After repositioning is accomplished for Seabeds Way and Captain Robert Cook, the federal subsidy received by NHA is expected to increase by ~\$919,000/year over what has been here-to-for received. The increase in annual federal subsidy will cover operational costs and support a permanent mortgage to pay for construction costs.
3. It is currently expected that the total development cost for the preservation and modernization of Seabeds Way and Captain Cook will be approximately \$39.9 million. This will be funded through 4% Low Income Housing Tax Credit Equity, a permanent mortgage, and NHA contributions.

What are the benefits to the Needham and NHA?

The benefits to Needham and NHA are:

- Repair & preserve existing obsolete affordable housing: Seabeds Way and Captain Cook are 40+ years old, exhibit critical deficiencies and need a comprehensive modernization. Comprehensive modernization of these 76 critically-needed deeply affordable housing units will preserve them for the next ~40+ years.
- Reduce ongoing operation and maintenance costs: Comprehensive repair and modernization of these developments will have a beneficial effect on ongoing annual maintenance costs.
- Sustainability: During the upgrade of these properties, improvements will be implemented to improve the thermal efficiency of the structures and the sustainability of the HVAC mechanical infrastructure.

When will the repositioning applications be submitted to and approved by HUD?

NHA's goal is to submit the repositioning applications in the Spring of 2023. We expect the applications to be approved in Summer 2023, upon which the NHA will then proceed with the repositioning process for a December 2024 construction closing.

What will happen to current residents during the renovation/redevelopment projects?

Federal regulations require that NHA residents be informed and involved every step of the way during the repositioning and provide for protections if relocation is needed. Every reasonable effort will be made to minimize any inconveniences for residents. NHA residents will never be required to pay any temporary relocation expenses out-of-pocket.

It is too early to determine the scope of work for the preservation and modernization of Captain Robert Cook and Seabeds Way, and therefore whether and if residents will need to be

temporarily relocated during construction. If temporary relocation is needed, various strategies can be used, such as maintaining vacant units in a development or temporary relocation to equivalent housing elsewhere in Needham.

What zoning changes will need to be accomplished for these projects?

For the Seabeds/Cook preservation and modernization, it is anticipated that no changes to the existing zoning will be needed.

What permits will be required from the Needham Building Department?

Any preservation and modernization work will be in compliance with the latest state and local building codes. All projects will be subject to the normal Needham construction permitting requirements and inspections.

NHA will be using a development partner to complete the preservation and modernization project. What is the role of the development partner?

Yes. The NHA anticipates using a development partner to complete the preservation and modernization project given its size and the likely use of the Low Income Housing Tax Credit (LIHTC) program. The role of the development partner is to provide services related to pre-development and construction, including but not limited to: managing the development budget and securing financing; managing the A/E team during pre-development and securing necessary zoning and other loan approvals; selecting LIHTC equity and lending partners and negotiating business terms; leading the due diligence and closing process; procuring the contractor or construction manager; assisting with construction administration and funding requisitions during construction; and leading the permanent loan conversion at the end of construction. In addition, the development partner will bring experience with LIHTC developments and a balance sheet that is able underwriting requirements set by LIHTC equity investors and permanent/construction lenders and to satisfy project completion and performance guarantees.

How is the financing of the overall development budget accomplished?

The total development budget of the Seabeds Way and Captain Robert Cook construction project is anticipated to be financed by a combination of:

- i) A permanent mortgage provided by a private lender
- ii) 4% Low Income Housing Tax Credit Equity (Federal)
- iv) NHA contributions

After repositioning is complete, will there be any changes in the management and/or operations of the Seabeds Way and Capt. Robert Cook Properties?

After repositioning and construction is complete, Seabeds Way and Captain Robert Cook will operate as 4% Low Income Housing Tax Credit (LIHTC) properties. The LIHTC program has specific IRS regulations and requirements that need to be met for the units to continue to qualify as LIHTC units and there are financial consequences if these requirements are not met. Because of this and the financial commitments provided by the developer, developer partners typically require that the property manager have extensive experience with managing LIHTC properties and in most cases require that their property manager take over management or that a third-party

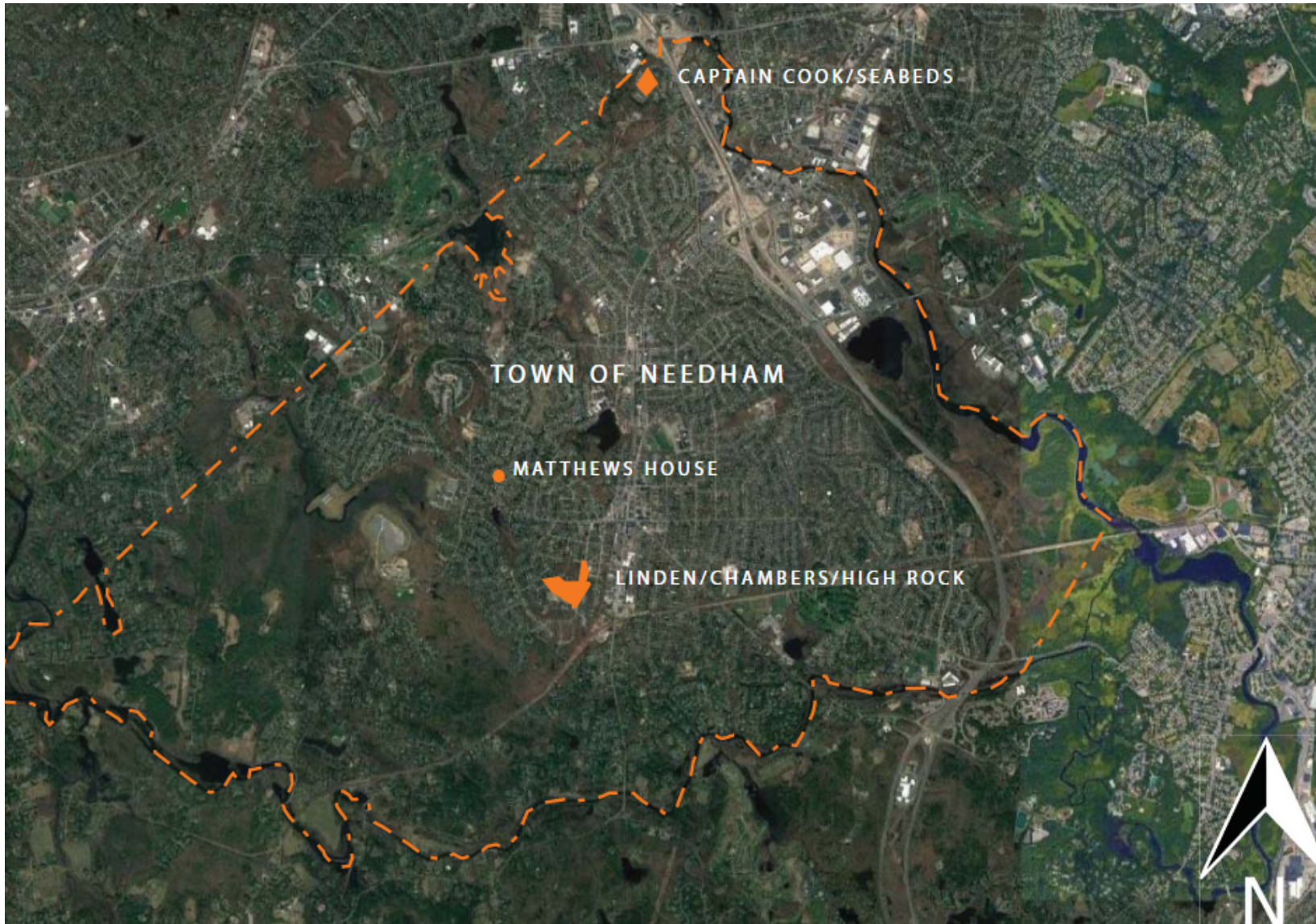
property manager is procured (such as Maloney Properties). This has been the case with other housing authorities (for example Salem HA, Somerville HA, and Chelsea HA) that have partnered with development partners on LIHTC projects. It is NHA's goal, however, to continue to be involved in property management and will aim to negotiate for this.

Does repositioning change NHA's ownership of the Seabeds/Cook land and/or buildings?

NHA will continue to own the land. Under the Low-Income Tax Credit program, a Tax Credit Partnership will be created for the preservation/renovation of Seabeds Way and Captain Robert Cook, and the Partnership will own the buildings. The partnership will be comprised of an investor partner and a managing member. The tax credit investor would be the investor partner owning 99.99% of the partnership while the NHA or a NHA selected entity would be the managing member and own the remaining 0.01% for the duration of the tax credit period (15 years). Under this partnership, the NHA or a NHA selected entity would retain operational oversight and decision-making authority over the property. After the tax credit period, the investor member's interest in the partnership would be bought, likely by an entity affiliated with the NHA (for example, the NHA selected entity above or a non-profit entity established by and controlled by the NHA), and the NHA entity would step in as full owner. As noted, the NHA will also retain ownership of the land throughout this period by ground leasing the land and its improvements to the Tax Credit Partnership.

Attachment A Site Maps

Map of Needham and Location of NHA Properties



Captain Robert Cook (left) and Seabeds Way (right)



Attachment B Property Photos

Captain Robert Cook Photos and Conditions:



Captain Cook Kitchen



Site paving is in extremely poor condition



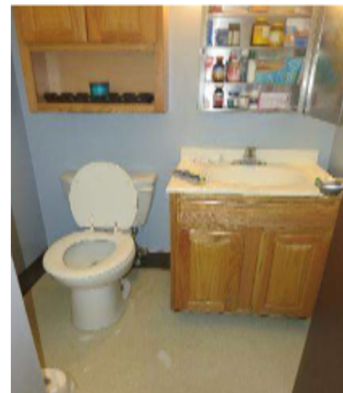
Water damage at Captain Cook Envelopes



Captain Cook Living Room



Deteriorated Captain Cook Siding



*Captain Cook
bathrooms are
worn and out
of date.*

Seabeds Way Photos and Conditions:



Water damage at facade



Kitchen



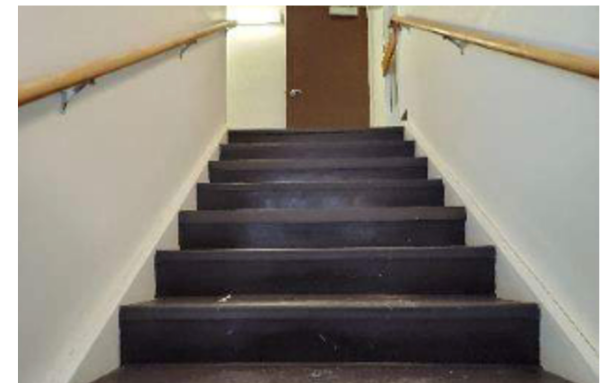
Bathrooms are worn and out of date



Site paving is in poor condition



2nd floor laundry rooms are inaccessible



Half of units are only accessible by staircase and are therefore inaccessible