

## SHA Proposal for Construction of 5 Duplex Houses

### Proposed Use of Funds

The Sudbury Housing Authority proposes to utilize \$600,000 in CPA funds to leverage funding for a \$2.5 million demolition and construction project that would produce five new duplex houses on SHA-owned land, with a net increase in affordable rental housing of six units at a cost to the Town of \$100,000/unit. These homes would be occupied by families, many of them current or former Sudbury residents, that have been on the SHA's waiting list for years while their children continue to grow up without the benefits of safe, affordable housing, which most of us in Sudbury take for granted.

The SHA purchased four single-family houses in the mid-1970's, all 4- and 5-bedroom homes, for subsequent rental to low-income families. Each of these houses was built for the low-end private market in the mid-1950's. Although they have been updated by the SHA during the intervening years using both state funding and SHA rental income, with new siding, roofing, flooring, windows, furnaces, etc., the basic construction of the houses remains poor in quality. Their one-story ranch design makes poor use of the relatively large lots on which they are located and their large bedroom counts are not a good match for the needs of potential SHA tenants.

The SHA proposes to raze these four single-family houses and replace each of them with one duplex house, consisting of a mixture of 1-, 2-, or 3-bedroom units. Designs will be similar to those constructed on Fairbank Circle, Pine Street and Old Meadow Road in 1990. In addition, a fifth duplex is proposed on SHA-owned land adjacent to its single-family house at 10 Landham Road. A relocation plan has been devised for the families currently living in the four houses to be demolished.

The SHA gives preference to local families and the greatest need among these families has always been for 2- and 3-bedroom family units, not 4- and 5-bedroom units. The proposed replacement project will provide six new, more appropriately sized units, and will also assist in the reassignment of currently overhoused SHA residents to units more in keeping with their needs, freeing up their larger units for the families on the SHA's waiting list. With this project, not only will SHA gain six units, the sizes of the units will be reduced to better suit the needs of the local families on SHA's waiting list.

New families moving into the duplexes will be smaller than those families housed on those sites in the past, and the houses themselves will be easier for the SHA to maintain. The neighborhood of the four existing houses has witnessed many "tear-downs" and construction of very large single-family homes. The proposed new duplexes will be closer in scale to their neighbors and visually more sympathetic.

CPA funding in the amount of \$600,000 will be more than quadrupled with funding from the MA Department of Housing and Community Development (DHCD) and the HOME program, as well as a mortgage through the MA Housing Partnership (MHP) that will be

paid back with rents from the new housing. A draft financial pro-forma is attached. A Request for Services of an architect to oversee this project has been drafted, and DHCD has committed to paying the fee for services.

### **Background**

Affordable rental housing is a fundamental component of any community housing plan. The Sudbury Housing Authority is the sole local entity charged specifically with both promulgating and mitigating this need. It is on that basis that this proposal is submitted.

For many individuals and families, home ownership, even that supported under affordable housing initiatives, is an unattainable goal. Subsidized rental housing provides for those who cannot, or realistically will not, achieve the financial resources to qualify for and sustain ownership responsibilities. The need for such subsidized rental housing in Sudbury is enormous, as evidenced by the SHA's years-long waiting list. Many of the people on our list are single parents and many have either grown up in town or lived in Sudbury prior to a divorce and would like to be able to keep their children in the school system and/or live where they work.

Continued affordability of rental units falling under the auspices of the SHA is prescribed by statute. Tenants of such units must undergo income monitoring to ensure that eligibility limits are preserved. This guarantees that as these income limits are reached, the rental properties are vacated. This, in turn, guarantees that these properties remain both affordable and available to qualified needy individuals and families over time.

### **Need**

The SHA currently owns only 21 family rental units and has been trying for many years to find land on which to build an additional 16 units for families. Even with the help of the Selectmen's Blue Ribbon Site Selection Committee, which located a number of potential housing sites, and with a Town Meeting vote in 2004 to transfer land on Hudson Road for that purpose, the Town has been unable to actually allocate any of its land for the purpose of family rental housing.

In light of the difficulty the Town has had in making land available for rental units for families, the Selectmen have urged the SHA to "get creative." In response, the SHA requested and received \$360,000 in CPA funds at the 2006 Town Meeting to help with the purchase of four condos constructed by private developers under Ch. 40B. That money will be combined with SHA's own reserves and a grant from DHCD when the units become available. While that project is moving forward, it is dependent upon developers' schedules. The first purchase is currently anticipated to take place in April 2008.

While that condo purchase project is a good one that will move forward over time, it barely begins to address the critical need for additional rental housing for families. The response of the Town to that need must be multi-dimensional and the current proposal has the following advantages:

- Old, poorly-constructed units will be replaced with attractive units more in keeping with the prevailing architectural norms of their neighborhoods;
- The housing will maintain and extend diversity in neighborhoods where it already exists;
- Six families currently languishing on the SHA's waiting list will be housed in decent, safe affordable housing;
- As described above, each of these six units has the potential to benefit multiple families over time.

### **Relationship of Proposal to General CPA Criteria**

This project meets all of the CPA Committee's General Criteria and is eligible for CPA funding as a Community Housing project in the following ways:

1. It is consistent with the Town's Master Plan (2001), Objective B under "Housing Element Goals, Objectives and Implementation Strategies (p. 79): Provide housing for the full range of income levels of Sudbury citizens, 1. Encourage affordable housing units through the state's Local Initiative Program, including comprehensive permits that recognize the community's needs and goals." It is also consistent with the Town's 2005 Community Housing Plan, under "Action Plan, Development: SHA Rental Housing (p. 27): Complete 16 units by 2006." (Deadline later extended by Town Meeting in 2005);
2. It received support from the Selectmen at their meeting on 3/21/07 and earlier on 7/26/05, and from the Town Planner in a memo dated 8/10/05;
3. It will preserve the essential character of the Town as described in the Master Plan, particularly in the following areas: "Sudbury's people are one of its most valued assets. Promoting a socioeconomic environment that permits and encourages a diversity of ethnicity, religion, age, and income will perpetuate this important Town value;"
4. It will serve a currently under-served population;
5. The proposed project will not address more than one CPA purpose, as it is strictly housing-related. It will, however, address affordable rental housing, a critical CPA purpose which has not, to date, been adequately addressed;
6. The proposed project will demonstrate practicality, feasibility, and urgency. The needy families who are languishing on SHA's waiting lists have children who are

growing up now without the benefit of the safe, decent affordable housing which most Sudbury residents take for granted. Both DHCD and MHP recognize the exigent need for the proposed project and enthusiastically endorse this proposal; however, their considerable financial support is contingent upon the Town providing a significant financial contribution;

7. The proposed project can be implemented expeditiously and within budget. MHP has already explored a variety of funding mechanisms for this project on the SHA's behalf and has identified appropriate funding. Both DHCD and MHP are experts in affordable housing development, and both will be working with the SHA to establish a final budget and time frame for completion. The proposed plan will thus move forward expeditiously upon approval of the commitment of CPA funds;
8. Project alternatives have been fully explored during the past four years when the SHA has repeatedly been unsuccessful in its efforts to obtain land on which to build housing;
9. This initiative will benefit the Town by enhancing the socioeconomic diversity of its citizenry;
10. The CPA contribution is the key that allows the leveraging of additional governmental and private funding for construction of permanently affordable housing for people who do not qualify for affordable homeownership; and
11. The proposed project will address the CPA Committee's priority of preserving or utilizing currently owned Town assets by transforming existing SHA-owned affordable rental housing stock into homes which more directly address current needs.

### **Category Specific Criteria**

The project meets the Category Specific Criteria for Community Housing in the following ways:

1. It will contribute to the goal of 10% affordability;
2. It will conform to the Town's Community Housing Plan, as demonstrated in #2 under General Criteria above;
3. It will promote a socioeconomic environment that encourages a diversity of income;
4. It will provide housing that is harmonious in design and scale with the surrounding community;

5. It will intermingle affordable and market-rate housing at levels that exceed state requirements for percentage of affordable units. Unlike typical 40B developments, 100% of the rental units created will be affordable, and yet they will be intermingled with existing market-rate housing in their existing neighborhoods;
6. It will ensure and maximize long-term affordability. The families residing in the proposed units, as noted above, will only do so as long as they are in financial need, unlike a homeownership program, which allows incomes to increase without limit once the sale is completed. The stability of the project over time is guaranteed by the fact that the SHA will own and manage the stock in perpetuity;
7. The proposed project will promote the use of existing buildings or construction on previously developed SHA-owned sites rather than creating new housing on vacant land that might otherwise be used for non-residential purposes; and
8. Many of the people on our local list have either grown up in Town or lived in Sudbury prior to a divorce, and would like to be able to keep their children in the school system and/or live where they work. The proposed project will give priority to local residents, Town employees, participants in the Sudbury Metco program and employees of local businesses.

This is a Housing Authority owned and developed project using modular units and incorporates one existing SHA unit

Project Summary		Modular	Unit Break Down			Rent	
Total Units		11	No. Units	Unit Type	GSF	Monthly**	Annual Total
	New Units	10					0
	Rehab unit	1	3	2-bedroom	1000	1,353	48,708
Total Gross SF of new const		10,400	3	1-bedroom	800	1,153	41,508
No. Parking spots			1	3 bedroom*	0	1,618	19,416
\$/GSF (includes site work)		180	4	3-bedroom	1250	1,618	77,664
Construction time line, months		8	11				187,296
			*Just rehab				
4 705 Replacement units			** Assumes project based Section 8 gross rents / utilities considered in greater per unit operating cost number				

SOURCES	Status	Total	Per/Unit	Comments
Acquisition Loan				
Construction Loan		1,500,000		
<b>Permanent Sources</b>				
Gap		(0)		Negligible
Permanent Debt		1,382,839	125,713	must be < 85% Loan to Value
Housing Stabilization Fund		715,266	0	
Town CPA money		600,000	54,545	
		<u>2,698,105</u>	<u>245,282</u>	

USES				
Acquisition Cost		0	0	
<b>Hard Costs</b>				
New Construction (include. Site work)		1,872,000	187,200	10 units
Rehab of 1 house		25,000		
Septic		150,000	13,636	5 new systems
Demolition		100,000	25,000	4 houses to be demolished
Landscaping		45,000	4,091	
<b>Subtotal</b>		<u>2,192,000</u>	<u>199,273</u>	
Architectural & Engineering	2.25%	49,320	4,484	
Environmental Engineering		10,000	909	
Survey & Permits	1%	18,720	1,702	
Bond Premium	1%	18,720	1,702	
Lender's Inspector		10,000	909	
Owner's clerk of the works		35,000	3,182	
			0	
<b>Total Hard Costs</b>		<u>2,333,760</u>	<u>212,160</u>	
			0	
<b>Soft Costs</b>			0	
Construction Interest	7.25%	36,250	3,295	8 months

Financing Fees	1%	28,828	2,621
Taxes & Insurance		5,000	455
Legal & Title		35,000	3,182
Appraisal		3,000	273
Marketing		3,000	273
Testing / Fees		6,000	545
Relocation		25,000	2,273
<b>Total Soft Costs</b>		<b>142,078</b>	<b>12,916</b>
			<b>0</b>
<b>Subtotal Development Cost</b>		<b>2,475,838</b>	<b>225,076</b>
Soft Cost Contingency	5%	7,104	646
Hard Cost Contingency	5%	116,688	10,608
Operating Reserve		24,200	2,200
Developer consultant			0
Developer Fee	3%	74,275	6,752
<b>Total Development Cost</b>		<b>2,698,105</b>	<b>245,282</b>

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**OPERATING**

<b>Revenue</b>		
Annual Rental Income		\$187,296
Vacancy Allowance	3%	(5,619) *historically has run at 0% vacancy
<b>Total Income</b>		<b>\$181,677</b>
<b>Expenses</b>		
Operating Expenses	6,300 /unit/annum	69,300 *includes utilities
PILOT	3,000 annual	3,000 *based on actual
<b>Total Expenses &amp; Taxes</b>		<b>\$72,300</b>
<b>Net Income</b>		<b>\$109,377</b>
<b>Debt Service</b>		<b>\$96,799</b>
<b>Surplus Cash Flow</b>		<b>\$12,578</b>
<b>Debt Coverage</b>	1.15%	0.115 Program requirement
<b>Debt Supported</b>	7.00%	<b>\$1,382,839</b>