

Financial Considerations and Suggestion for Compromise

Financial considerations and compromise

- Town goals:
 - Reduce homelessness
 - Increase affordable housing
- **These are shared goals.**
- Given limited resources, is this project design a good way to meet goals?
- I will discuss financial concerns about this proposal and a concrete solution to move forward to meet these goals:
 - Town uses the CPA funds to acquire parcel. Commits to affordable housing at this site. Re-does process with meaningful neighborhood input from the start.

Developer's capital budget

Sources of funding

Kuehn Grant	\$11,500
Charlesbank Homes Foundation	\$50,000
Amherst CPA/Trust	\$500,000
Amherst CBDG	\$200,000
Federal Home Loan Bank of Boston -AHP	\$500,000
Housing Innovations Fund	\$1,000,000
Housing Trust Fund	\$500,000
Facilities Consolidation Fund	\$171,907
MA Affordable Housing Trust Fund	\$1,000,000
Housing Stabilization Fund	\$930,000
Total sources	\$4,813,401

- Information from developer's application, letter to finance committee
- \$407K for site, \$3,854K building costs, \$550K in overhead and fees

Uses of funding

Acquisition	\$407,500
Renovate existing house	\$348,800
New Construction	\$1,997,000
Demolition and Hazardous removal	\$75,000
Site work	\$125,000
PV Solar	\$85,000
Construction contingency	\$263,080
Total Hard Costs	\$2,893,880
Architectural and Engineering	\$263,080
Energy Consultant/ HERS rating	\$28,000
Legal	\$65,000
Surveys and permits	\$25,000
Clerk of the works	\$30,000
Environmental engineer	\$15,000
Title and recording	\$12,000
Accounting and cost certification	\$5,800
Marketing and rent up	\$5,000
Real estate taxes	\$26,350
Insurance	\$32,000
Appraisal	\$5,000
Market study	\$6,500
Financing fees	\$9,385
Construction monitoring fee	\$20,000
Construction testing	\$17,000
Acquisition loan interest	\$55,000
Pre-development loan interest	\$45,000
Other carrying costs	\$15,191
Utilities and utility connections	\$25,000
Soft cost contingency	\$70,531
Total soft costs	\$775,837
Capitalized operating/replacement reserve	\$186,191
Developer Overhead	\$275,000
Developer Fee	\$275,000
Total development cost	\$4,813,408

Proposed building is high cost for the region

- \$ 4.8 million development
 - 28 units, 240 sq. ft. each
 - 12,890 sq. ft. (email from Laura Baker)
 - **\$171,907 per unit** or **\$373 per sq. ft.** in total development costs
- Comparisons:
 - Current housing: **\$219 per sq. ft. in Amherst; \$300 Boston-Cambridge-Newton**
 - U.S. Dept of Housing and Urban Development (HUD) maximum total allowable construction cost in 2018 for affordable housing.
 - Building with elevator. Studio unit. Based on regional construction cost data.
 - For 500 sq ft unit: **\$141,644 per unit** or **\$283 per square foot**
- **Valley's costs are 20-30% higher than benchmark**

Building is high cost for the town

- **Town pays \$331,762 to make this happen**
 - Town funds \$750,000
 - \$50,000 site selection (already spent)
 - \$200,000 from CBDG
 - \$500,000 from Community Preservation Act
 - Gets increase in tax revenue of \$418,238 (over 20 years, Valley's numbers)
- **Full accounting of costs is larger**
 - Forgone use of capital ~ \$350,000 (3.5 % interest over 20 years)
 - Give-away of development rights (higher density development is valuable)
 - Risks: need for additional staff, change in bus routes, better lighting, loss of public use of adjacent Pratt field as a recreation site if closed to non-college ID holders
- **There is no mechanism in place to hold the developer accountable**

Do we meet goals?

- **Reduce homelessness?**

- 4-5% of the 150-170 people served by Craig's Doors in recent seasons
 - 10 units for formerly homeless individuals, 2 clients of State for mental health
 - State funding: up to 70% of people from Amherst = 7 people
- **No housing for people without vouchers or who don't pass screening**

- **Create affordable housing?**

- 16 other units; planned rent is \$650-\$675 for 240 sq. ft.
- 2015 Housing Study: > 4,500 students living in town crowd out affordable housing
- Other 1000 unit student building in the works (will free-up ~600 units)

- **Are there better solutions?**

- Forum on homelessness: rental subsidies, stabilization services, work with landlords, inclusionary zoning, outreach counselors to work on case by case basis
- **Identified outreach counselors as high impact for low cost: available to all**

How to find compromise for this site?

- Currently at a “standoff”
 - Plan for SRO in the works for a long time.
 - **But this specific site acquired in January.**
 - Closest abutters objected from the beginning
 - Details of the proposal not presented to abutters until April 24: after key council recommendations were secured
 - Neighborhood bears the risks
 - **Neighbors have already asked developer for changes: 24-hour supervision, smaller scale, family-oriented affordable housing.**
 - Developer says none of these work financially for them.
- Town support is key to developer’s application to the state. Leverage point to modify proposal is now.

How to find compromise for this site?

- **Town acquires parcel with the \$500,000 in (future) CPA funds**
- **Commits to affordable housing at this site, through long-term lease (like East St. School)**
- **Re-do of process with meaningful neighborhood input from the start**

- The developer:
 - Relieved of risk and carrying cost
 - Free to pursue sites closer to public transportation or larger scale for SRO
 - No change in their planned budget—acquisition costs covered by Town’s contribution
- Concerned neighbors:
 - Time to work with the town to improve proposal
 - Better supervision or more cost-effective use of site
- The Town:
 - **Retention of valuable capital asset (land) and long term rights**
 - **Clear accountability mechanism**
 - **Commitment now to use this site for affordable housing: progress towards goals**

Ideas for development under town ownership

- Go forward with SRO, with 24/7 supervision
- Build family-oriented, accessible, affordable housing on site

→ **More cost-effective at this site, meets other key priorities of town for housing for people with disabilities**

