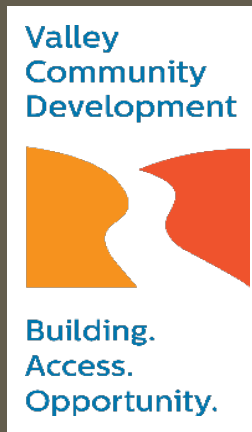


AMHERST STUDIO HOUSING
***SINGLE PERSON STUDIOS WITH
SUPPORTIVE SERVICES***

Responses to Amherst ZBA
Questions for September 10th
Continued Hearing



RESPONSES TO FOLLOW UP QUESTIONS
FROM AUGUST 26 MEETING

Does the applicant have intentions to expand the size of any of the proposed dwelling units in the future?

- Applicant does not have this intention.

Can any of the unit wall(s) be removed in order to combine two adjacent units into one larger unit?

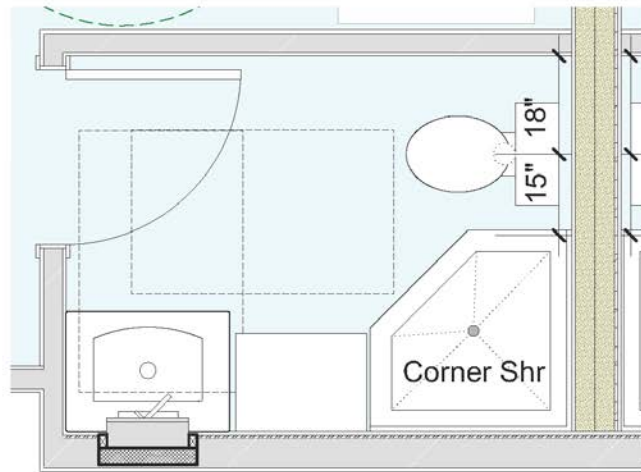
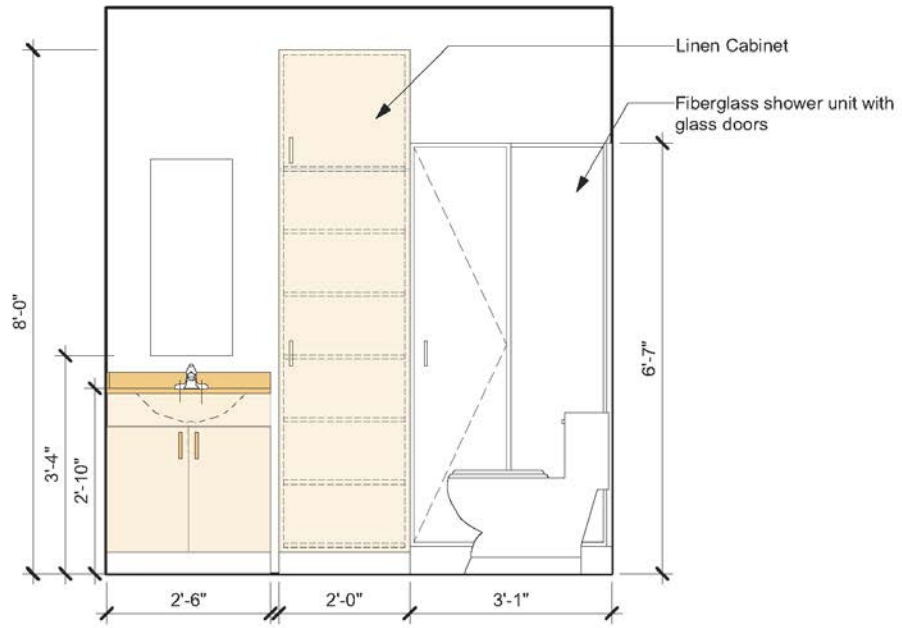
While this is a wonderfully creative suggestions, Valley does not believe that this approach to accommodate a change in household size is not feasible for long term operations

- The impact on income would be too detrimental
 - If we were to convert two SROs to a single one-bedroom it would cause an annual loss of \$7,188 in revenue.
 - If five units were converted in this way it would be a loss of \$35,940 in annual revenue.
 - Valley will have deed restrictions from funders that require the property provide a particular number of units at certain income thresholds. Reducing the number of affordable units would not be supported by funders, whose goal is to encourage unit creation.

- While we understand the concern raised, and want to see our residents in successful relationships, this sort of a change in household has mandatory and regulatory practices related to vouchers. It is also a situation anticipated in lease documents and property management procedures.
- If a tenant gets married or has a child and the unit they live in is too small for two occupants, they can request assistance from property management, the RSC, or a caseworker to help them find a new appropriately sized and affordable apartment for their household. Residents would be given a reasonable period of time to move to a new unit.

Can the size of the closet(s) in each proposed dwelling unit be enlarged? If so, update the floor plans with dimensions.

- The design team has not found a way to increase the size of closets in typical units without detracting from overall useable space in the units.
- As illustrated at the last meeting, some units (in 8 units) are already designed with larger closet area.
- Many tenants use under-bed area for storage, either by having a loft bed, a bed with built-in shelving underneath, or roll-out storage under a typical bed.
- The design team is able to add a linen closet in the bathrooms to increase overall storage in each apartment. See next slide.



Smoking Area

If the property, including the building interior and all outdoor areas on the property become designated as 'smoke free,' where will tenants, who are smokers, continue to smoke?

Excerpt from Comp Permit Application dated May 26, 2020:

Request:

Shift any potential designated tenant smoking area away from the running track.

Valley Response:

Valley proposes that this will be a non-smoking building. We considered designating the grounds non-smoking as well, but, based on past experience, this can result in tenants smoking on the public sidewalk directly in front of the property, which can be an undesirable outcome for neighbors and other pedestrians. Plans currently show a covered bench as the only approved smoking location on site. This is separated from the common use outdoor patio, from the track, set away from the building and building windows, and separated from the closest residential neighbor at 126 Northampton Road. Smoking cessation supports will be available on-site to tenants on a voluntary basis.

Please provide more information about the tenant selection process and how and who matches prospective tenants to reside at this property. Please discuss the specific involvement that service providers and Valley CDC take part of, as part of this process.

All incoming applications are screened to participate in the lottery or, if after the lottery, added to the wait list in order of date of application.

- Applicant must meet the standards described:
 - An applicant must be 18 years of age or older.
 - Applicants must meet income eligibility requirements.
 - 12 units at or below 30% of area median income
 - 8 units at or below 50% of area median income
 - 8 units at or below 80% of area median income
 - Household size appropriate for unit size (compliance with State Sanitary Code)
- An applicant's rental history, credit history, references, interview and follow-up communication must demonstrate that the applicant is capable of meeting the terms and conditions of occupancy, with reasonable accommodation if necessary.
- Applicant must provide all required information and documentation to cooperate with background check and income eligibility

SERVICE PROVIDER ROLE

- For those applicants who indicate they meet the homeless definition, often a Service Provider will help provide necessary documentation. If not, this task will be done by HMR.
- Support in the process:
 - Service providers often assist tenants to complete and submit applications.
 - If a homeless tenant is next to be offered an apartment and does not have a service provider connection, property management will make a referral to try to match the tenant's needs with appropriate services.
 - Valley also work closely with the 3-County Continuum of Care (CoC), which is a coordinated entry system for homeless persons. The CoC also helps match homeless persons with service providers.

DMH UNITS

- These are closed referrals from DMH (only DMH can refer clients). Tenants referred by DMH are then screened as per standards above.

LOTTERY AND WAITING LIST

- For the initial lease-up only, interested and pre-qualified applicants are entered into a lottery.
- Those chosen in the lottery will then complete the full screening and application process.
- Any applicants who participate in the lottery but are not selected will be the first group included on the waiting list and will be notified when future vacancies occur.
- Separate Waiting Lists, or a coded unified Waiting List, are allowed to accommodate a property's preferences. For instance, handicapped accessibility, local preference (as applicable), and homeless preference would each have a priority in the order of contacting people on the waiting list.

What is the criteria used to determine whether a prospective tenant is eligible for independent living at this property? Please explain this process as part of the tenant selection process.

- Everyone is welcome to apply to live at an apartment at 132 Northampton Road.
- All applicants will be measured by the same tenant screening and selection criteria.
 - Consistency in obtaining and reviewing applicants is used by Property Management to determine eligibility under the Tenant Selection Plan (TSP):
 - Rental history
 - Credit history
 - References

- Service providers and caseworkers are not subjective decision makers in the process.
 - What caseworkers and service providers have is professional experience to help them recommend appropriate resources and opportunities to any client, including other housing options, such as the Safe Haven model, or an in-patient treatment program for a client struggling with substance use.
- The final TSP must be approved by DHCD.
 - DHCD will only approve a Plan that complies with Fair Housing Law.
 - The TSP sets forth the criteria used at application

Eligibility is determined by written selection criteria explained above as well as applicant cooperation to provide all necessary documentation.

Point of information / update regarding tenant selection and demographics:

The Sergeant House in Northampton is fully occupied as of the end of August and includes 31 small studio apartments with supportive services. Of note is that the majority are female. Residents are:

- 18 Female Tenants (58% of total tenants)
- 13 Male Tenants (42% of total tenants)

Valley does not screen or discriminate in tenant selection based on sex or gender.

There is evidence of increasing demand from single women who need supportive studio housing. Shelters are reporting increases in homeless women. At another single person studio property owned by Valley in Florence, 4 of the last 6 new tenants to move in were women. This is a change from past trends when there tended to be more male applicants than female.

There continues to be comment in Amherst that the proposed development will be for “only men” or “primarily men.” The patterns we see locally at this point in time indicate that neither statement is accurate.

Will any of the proposed units come fully furnished? If the units are not furnished, will the tenants receive assistance for furnishing their respective unit. Please explain.

Units will include all appliances but no furnishings.

Based on Valley's past experience, obtaining basic furnishings and household items has not been a barrier for incoming tenants, including incoming homeless tenants. Often churches and social service agencies will assist. The Amherst Survival Center has a "Community Store" where all items are free.

"The Community Store stocks a wonderful array of gently used clothing and housewares, all generously donated by our community. Everyone is welcome to shop in the community store every day we are open. All shoppers may select up to 15 items per day into your shopping bag.... Everything is free!"

The Goodwill on University Drive and the Salvation Army in Hadley also offer inexpensive furnishings and household goods.

WHY IS AFFORDABLE HOUSING SO EXPENSIVE TO DEVELOP?

General factors that drive development cost of affordable housing:

- Long development period – typically 4-6 years (or longer)
- Preference for desirable location near transit can lead to high acquisition cost
- Multiple public funding sources to secure and coordinate
- High legal costs associated with tax credit syndication
- High standards for handicapped accessibility
- High standards for use of green materials, exceptional energy efficiency
- Minimum standards for unit sizes, # of bathrooms, etc.
- Goals for MBE, WBE participation
- Rising construction costs (fueled by trade issues, tariffs, COVID-19 disruption of supply chains, etc)

Cost Factors Impacting Amherst Studio Housing

- Extended planning, permitting, and development period.
- Coordination of multiple funding sources (11 distinct sources are projected)
- Goal of Passive House construction = thick building envelope, triple pane windows, high efficiency HVAC, mechanical fresh air, solar panels and lighting
- Traditional building design—pitched gable roofs, traditional siding and trim materials, etc.
- Accessibility: installation of elevator, sensory features, 2 fully accessible apartments.
- Installation of 29 bathrooms and 29 kitchens (kitchens and baths are the most expensive spaces per square foot)
- Outdoor site amenities: extensive plantings, patio, walkways, bike storage, etc.
- Capitalized Reserves—for operating, repair replacement, and supportive services

Cost Comparables – Per Unit Development

Amherst Studio Housing is currently budgeted at \$265,981 for Total Dev Cost / Unit (TDC)

Comparison with other affordable units developed by Community Development Corporations:

- TOTAL UNITS DEVELOPED: 986
- Average Per Unit Development Cost All Units: \$301,402
- Average Per Unit Development Cost for New Construction: \$505,435
- New Construction Per Unit Low = \$250,000 High=\$750,000

Source: MA Association of Community Development Corporations 2018 GOALS Survey (units completed in 2017)

- Of 12 previous single person development in Western MA, the average TDC/unit was approximately \$241,000 and the median TDC/unit was \$233,000.

“These conclusions are based on a joint MHP-DHCD dataset, filtered to show only projects with SRO units in Hampden, Hampshire, Franklin, and Worcester counties. Please also note that the construction of these projects occurred between 2005 and 2018, so there is reason for at least a little caution when looking at projects that were developed over a decade ago.”

Source: Shawna O’Neil, Massachusetts Housing Partnership

PRO FORMAS

Preliminary Development Budget

- ❑ \$700,000 (9.4 %) of Total Sources are Town Funds and \$850,000 (11.4%) are Local Funds (from Town and other local organizations)
- ❑ 88.5% of Total Sources are from state-wide foundations or state / federal public sources
- ❑ All Sources (with the exception of those to be requested from DHCD) are committed

SOURCES		
Keuhn Grant	\$11,500	committed
Charlesbank Homes Foundation	\$50,000	committed
Amherst CPA / Trust	\$500,000	committed
Amherst CDBG	\$200,000	committed
Interfaith Housing	\$100,000	committed
Amherst Housing Authority	\$50,000	committed
Housing Innovations Fund	\$750,000	pending - avail from DHCD
Facilities Consolidation Fund (2 units)	\$265,981	pending - avail from DHCD
MA Affordable Housing Trust Fund	\$780,000	pending - avail from DHCD
LIHTC Equity	\$3,240,000	pending - avail from DHCD
State LIHTC	\$1,500,000	pending - avail from DHCD
Total Sources	\$7,447,481	

USES	
Acquisition	\$407,500
Building Construction	\$3,520,000
Demo & HazMat Removal	\$85,000
Site Work	\$125,000
PV Solar	\$75,000
Total Construction	\$3,805,000
Construction contingency - 10%	\$380,500
Total Hard Costs	\$4,185,500
Soft Costs	
Architectural & Engineering	\$418,550
Energy & Passive House Consultant	\$28,000
Legal (owner)	\$140,000
Legal (syndicator)	\$35,000
Legal (construction loan)	\$30,000
Surveys, Permits, Fees	\$20,000
Clerk of the Works	\$40,000
Environmental Engineer	\$15,000
Title and Recording	\$12,000
Accounting and Cost Certification	\$20,000
Marketing and Rent Up	\$40,000
Real Estate Taxes	\$26,350
Insurance	\$35,000
Appraisals	\$20,000
Market Study	\$7,500

LIHTC Fee to DHCD	\$20,000
Financing Fees - Construction	\$15,000
Construction Loan Interest	\$225,000
Construction Monitoring Fee	\$25,000
Construction Testing	\$22,000
Acquisition Loan Interest	\$55,000
Pre-Development Loan Interest	\$45,000
Other Carrying Costs	\$34,500
Development Consultant	\$250,000
Utilities & Utility Connections	\$30,000
Sub-total	\$1,608,900
Soft Cost Contingency - 10%	\$157,981
Total Soft Costs	\$1,766,881
Capitalized Operating Reserve (6 mos operations)	\$196,500
Capitalized Replacement Reserve	\$50,000
Capitalized Services Reserve	\$281,100
Developer Overhead	\$280,000
Developer Fee (contingency against cost over-runs)	\$280,000
Total Development Cost (TDC)	\$7,447,481
Per Unit TDC - affordable units (28)	\$265,981

FINANCIAL NEED FOR 28 UNITS

HOW DOES THIS SCALE IMPACT FINANCING?

Commitment to the Town

This development originated with a CDBG Planning Grant from the Town of Amherst. The goal of this grant contract is excerpted from the CDBG Contract beginning 11/1/17 between Valley and the Town of Amherst:

The proposed planning activity will undertake key predevelopment tasks related to creating a small to mid-size scale (16-40 units) supportive housing enhanced SRO development.

This CDBG Contract was predicated upon Valley developing a project at scale to be financially feasible and financially sustainable and large enough to make a dent in the level of need.

28 units is the mid-point in the range of 16-40 units identified as the goal of the Town-funded planning activity.

Financial Significance of Scale in Development

The largest funding source for the proposed development is federal Low Income Housing Tax Credits (LIHTC). Amherst Studio Housing budgets for \$3,240,000 from this source. The second largest source is MA LIHTC, budgeted at \$1,500,000. Accessing federal LIHTC is a threshold to use the MA LIHTC program.

The MA Department of Housing & Community Development's (DHCD) minimum threshold for an application to LIHTC is 20 units.

Excerpt from the most recent Notice of Funding Availability (NOFA) for affordable housing rental resources:

“Twenty units will be the minimum project size if a sponsor is seeking tax credits.”

This minimum threshold is informed by the extensive costs (syndication, legal) of using the LIHTC program.

To be eligible for LIHTC in MA, an apartment must rent to a household at 60% AMI or below.

- Amherst Studio Housing, as proposed, has only 20 units that are eligible for LIHTC (twelve 30% AMI units plus eight 50% AMI units).
- Although the development includes 8 additional units, these are not LIHTC eligible because they are targeted to 80% AMI households.
- The desire for a mixed income development model (including moderate income 80% AMI units) that reduces segregation and congregation of extremely low income, homeless persons was advocated during planning by the Amherst Municipal Affordable Housing Trust and has been echoed by neighbors, abutters, and other community members.
- Amherst College has shown particular interest in the development of 80% AMI units as appropriate workforce housing for its staff.

Failure to reach the threshold for use of the federal and State LIHTC programs (minimum of 20 eligible units) results in an immediate funding gap of \$4,740,000 (64% of Total Development Budget).

This gap would be increased by the fact that DHCD awards funding on a per unit basis and has a per unit ceiling for these resources. Each unit reduced from the development lessens other projected state sources, such as the Housing Innovations Fund, the Facilities Consolidation Fund, and the MA Affordable Housing Trust Fund.

With reduction of units, the TDC / unit increases because fixed costs (such as acquisition, design, legal, carrying costs, etc.) are then spread over fewer housing units.

PRELIMINARY OPERATING BUDGET –
AMHERST STUDIO HOUSING – YEAR 1

Revenue					
	# Units	AMI	Type	Monthly	Total
Rental Income					
Homeless Preference	10	30%	MRVP	\$745	\$89,400
FCF Units	2	30%	MRVP	\$745	\$17,880
Low Income	8	50%	Self-Pay	\$760	\$72,960
Moderate Income	8	80%	Self-Pay	\$795	\$76,320
Gross Rental Income	28				\$256,560
Vacancy Allowance (5%)					\$12,828
Effective Gross Rental Income					\$243,732
Operating Reserve					
Other Income (Laundry)					\$1,320
MRVP Supportive Service Funds	10				\$15,000
Capitalized Services Reserve					
Total Effective Gross Income					\$260,052
Operating Expenses					
Administrative					
Management Fee	6%				\$14,624
Audit, Accounting					\$10,000
Legal					\$3,200
Communications					\$5,500

Administrative Salaries & Benefits					\$19,600
Resident Service Coordinator					\$45,000
Asset Management Fee					\$1,200
DHCD Monitoring Fee					\$1,400
Training					\$504
Travel					\$650
Subtotal: Administrative					\$101,678
Maintenance					
Decorating (interior)					\$868
Exterminating					\$500
Licenses, Permits, & Fees					\$1,400
Grounds / Landscaping					\$6,500
Janatorial / Maint Supplies					\$4,000
Salary & Benefits					\$16,800
Repairs Contracts					\$13,384
Elevator Maintenance					\$5,500
Snow Removal					\$7,500
Trash Removal					\$5,000
Locks & Keys					\$1,200
Maintenance Other					\$2,184
Subtotal: Maintenance					\$64,836
Utilities					
Electricity					\$19,800
Water / Sewer					\$8,000
Subtotal: Utilities					\$27,800
RE Taxes					\$21,000
Insurance					\$15,000
Subtotal: Taxes, Insurance					\$36,000

Replacement Reserve Contributions	\$15,294	
Total Operating Expenses	\$245,608	
Per Unit Per Annum (PUPA)	\$8,772	
PUPA less Services	\$7,165	
Net Operating Income	\$14,444	
Trending Assumptions:		
Revenue	2% per annum	
Expenses	3% per annum	

Per Unit Per Annum (PUPA) Cost

The Per Unit Per Annum operating cost of **\$7,165** is below state average for a LIHTC financed development. This average for Massachusetts was **\$7,500** several years ago. The proposed development has a lean operating budget at its current scale.

With adverse trending required by DHCD to “stress test” operations (expenses increase faster than revenue), the operating budget trends to negative cash flow in Year 6, at which time the development begins to draw on its Capitalized Services Reserve. In Year 14, it begins to also draw on its Capitalized Operating Reserve.

IMPACTS OF REDUCTION IN SCALE ON OPERATING FEASIBILITY:

Fixed Costs are adversely impacted by fewer units / reduced revenue:

Examples of fixed costs: elevator maintenance, extermination, fire alarm service, grounds care, plowing, insurance

Staffing is adversely impacted by fewer units / reduced revenue:

Reduced hours for property management on site and RSC hours reduced

Capital Upkeep and Repairs:

Fewer units / reduced revenue translates into a lower Replacement Reserve contribution per year. This negatively impacts ability to address larger capital needs over time. Small scale developments can deteriorate over time if there is insufficient revenue to maintain the property.

Comparison Rents in Amherst:

Average rent for a bedroom in a shared house = \$663

Average rent for a 0-bedroom studio apartment = \$1,470

(Example: new studio apartments ranging in size from 297-381 sf at 70 University Drive are advertised for \$1,450 - \$1,500)

Average rent for a 1-bedroom apartment = \$1,494

ZBA Question: What would happen to the project if the state or federal government dramatically changed the levels of housing support offered to poor people? Could the project stay in business? I'd like some assurance that if Valley CDC should go broke the town of Amherst would not be left responsible for subsidizing the tenants in the project.

If the state's rental subsidy program were discontinued, it would cause some level of financial challenge for this property. This would be true for virtually all public and private affordable housing. Because the majority of units in the proposed development have no rental subsidy (57%), this development is better buffered against a downturn in state or federal rental subsidies than many properties in which all units have project-based subsidies, such as public housing.

In Valley's experience, if an affordable housing developer goes bankrupt or out of business, another affordable housing agency assumes their portfolio.

The proposed Amherst Studio Housing will have multiple public investors (mortgage holders) who have much deeper pockets than Valley and who will be highly motivated to ensure the property does not fail, nor lose the benefit it provides to low income tenants.

ZBA Question: Some abutters wish that there were some apartments for families. What would happen to the economics of the project if there were some number of family apartments? Presumably that would reduce the number of SRO units. Could the project be economically viable on those terms?

Valley explored budgets for a mix of apartment sizes. For example, 24 efficiencies and 2 one-bedrooms units for a total of 26 units in a building of approximately the same size. This created a funding gap in the Development Budget. It also resulted in reduced hours for the Resident Services Coordinator due to reduced revenue.

Amherst has made positive headway in creating family affordable housing. Both of Valley's prior developments in Amherst benefit families (Charles Lane, Main Street). Other 40B projects approved by Amherst contain affordable family units (for example, Butternut Farm, Olympia Oaks, North Square), as does Rolling Green, Presidential Apts. II, Mill Valley Estates, Village Park, and several Habitat for Humanity properties.

While there are numerous examples of family affordable housing being created in Amherst, the identified need for single person supportive housing has gone unmet.

According to data provided by neighbors, the neighborhood is home to many family households with children and / or grandchildren. Based on Valley's research, Northampton Road contains a strong majority of renter occupied properties, many serving as student housing.

Amherst Studio Housing will diversify the housing stock in this neighborhood, a goal of Amherst's Master Plan. It will also diversify the economic character of the neighborhood, integrating lower income persons into a higher income census tract (where median family income is over \$100,417, as compared to \$78,177 in the larger statistical area).

Based on well-documented, statistical connections between income and race, we expect it will also increase racial diversity in the neighborhood.