

Community Preservation Act Committee- Proposal Request Form for FY 2020

Project Title: Amherst Studio Apartment Supportive Housing

CPA funding category: Check all that apply

<input checked="" type="checkbox"/>	Community Housing
<input type="checkbox"/>	Open Space
<input type="checkbox"/>	Historic Preservation
<input type="checkbox"/>	Recreation

Amount of CPA Funds Requested: \$ \$500,000

Submitting Entity: Valley Community Development Corporation

Contact Person: Laura Baker, Real Estate Project Manager

Phone: 413-586-5855 ext. 100

Email: lb@valleycdc.com

Please complete this form in its entirety and include the following in your proposal. SEE ATTACHED PROPOSAL

Overview of Proposal: Please describe your project and your feasibility analysis

Describe how your request meets the CPA criteria:

1. Description of funding needed, including:
 - a. Documentation of cost estimates, budget
 - b. Other sources of funding, e.g., grants, self-funding, fund-raising
 - c. Timeline on how CPA funds would be spent, including over multiple years
2. Urgency of the Project, if any.
3. Estimated timeline from receipt of funds to Project completion.
4. Acquisition or preservation of threatened resources.
5. Population(s) to be served by the Project.
6. How will the CPA investment in your property, facility or project be maintained over time?
7. Which relevant Town committees and/or commissions are you working with?
8. Other information regarding the Project deemed necessary for CPAC.

**Valley Community Development Corporation
FY20 CPAC Proposal
For
Amherst Studio Apartment Supportive Housing**

Overview of Proposal:

Following an exhaustive two-year site search, Valley Community Development Corporation (“Valley”) is under contract to purchase a single family home located on a .88-acre parcel in January 2019. Valley plans to renovate the existing house and construct an addition to accommodate approximately 28 small studio apartments (also known as Single Room Occupancy (SRO) units). Each unit will be about 240 sf each and will include a kitchenette and bathroom (also referred to as “enhanced” SRO units). The building will include common areas and a provider office. Valley will ensure provision of on-going resident service coordination coupled with community-based services (referred to as “supportive housing”).

The property will house extremely low income to moderate income single adults including persons coming out of homelessness; clients of DMH (Department of Mental Health); low wage earners; retirees; and persons with disabilities. The property is not intended to serve full-time students.

There is currently no comparable type of housing in Amherst. There is a profound need for small, affordable units to serve homeless and ELI (extremely low income) persons. The only homeless shelter in Town, Craig’s Doors, is a seasonal shelter located less than a mile from the project site. Craig’s Doors served more than 170 unique homeless individuals this past winter. When the shelter closes for the season each spring, many of these individuals have no place to live and are found sleeping on the streets, in ATMs, in the parking garage, or in tents behind public and private buildings.

The proposed site is well situated for homeless and low-income tenants who typically lack cars, as it is 4/10 of a mile from Amherst Town Center and from the nearest bus stop. It is also 6/10 of a mile from a large shopping area and from additional bus stops. It is walking distance to multiple service providers located in the Town Center including: Craig’s Doors Resource Center, Amherst Community Connections, and the Musante Community Health Center (offering free health care and dental services to low income persons). It is located on a major route within a mixed neighborhood that includes institutional, multi-family rental, and single-family properties. The site is bounded on two sides by athletic fields for Amherst College. The fields are occasionally very active (during a big home game for example) but most of the time are quiet and peaceful.

The site consists of a .88-acre lot improved with an owner-occupied single-family home (converted carriage house) in sound structural condition. The house is not a historic structure nor is it within a historic district. It is situated well back from the main road, which has sidewalks. Valley plans to renovate this house into 4 studio units and / or re-use the house as common space and to construct a 2 to 3-story addition. Level, cleared land is available for the addition. The site is served by Town water and sewer. There are no wetlands on the site.

To date, surveys of the site have been prepared; environmental and soil testing is complete; and several conceptual site plans have been explored. The project architect, Kathy Ford, lived for many years in Amherst and is familiar with architectural styles in town. Ms. Ford has served on the Planning Board, Design Review Board, CPA Committee, and Leisure Services Commission.

Our design team is committed to a building that is compatible within its context. Detailed design review will take place during project permitting, through the Zoning Board of Appeals.

Summary of site characteristics:

Central, Walkable Location: 4/10 mile from Town Center and the nearest bus stop
6/10 mile from a major shopping center
Walking distance to multiple service providers located in Town Center, including a health center offering free care and dental services to low income persons

Main Road: Located on the main transit route (Route 9)

Mixed Use Area: Abutters include multi-family residential and institutional uses

Large Buildable Lot: .88-acre lot is cleared and fairly level

Describe how your request meets CPA criteria:

1. *Description of funding needed, including:*
 - a) *Documentation of cost estimates, budget*

See attached development budget and operating budget

The development budget relies upon Valley’s 25+ years of experience building affordable housing. Certain costs (i.e. acquisition) are known and fixed at this time. Other non-construction (aka “soft” costs) are estimated based on current industry standards.

The current construction cost estimate is based on a square foot average cost for new construction and an estimated cost for rehabilitation given an inspection of the structural condition of the existing house by the architect and a structural engineer. Square foot cost for new construction was based on a comparison to five other affordable housing projects in the immediate area that were either recently completed, are under construction, or have detailed construction budgets. As designs are developed, the construction cost estimate will be refined through use of a professional 3rd party cost estimator.

A 5-year operating budget is provided. Per unit budgeted operating costs are based upon average actual operating costs from similar properties. Valley is dedicating \$25,000 per year to support a part-time Resident Services Coordinator funded from project operations. In order to obtain State

financing, Valley must develop a 21-year operating budget. (This is available to the CPA for review, as requested.) Due to the State's adverse trending requirements, Valley must assume that revenues grow at a slower rate per year (2%) than expenses (3%). Because of this trending, cash flow (Net Operating Income) from the property turns negative beginning in year 11. At that time, the project will begin to draw from the Capitalized Operating Reserve (which you will not is included in the development budget at \$95,000) to cover annual operating expenses.

b) Other sources of funding, e.g., grants, self-funding, fundraising

See attached development budget, which shows anticipated sources of financing for this project. At this time, the Kuehn Foundation funds are the only source committed. Of note is that the Town of Amherst provided a CDBG planning grant to help Valley locate a suitable site and pay for site feasibility analysis. This CDBG planning grant is part of the project pre-development phase and so does not appear as a source in the development budget. Valley expects to submit an application for \$200,000 in Amherst CDBG funds later this month.

As is typical for projects of this type, Valley is seeking CPA funds early in project planning. This is because the project's competitiveness for State funding relies upon a strong show of local support. In most cases, CPA awards are conditioned upon all funds being raised for the project and so are not expended until the project is beginning construction. If the project is not able to proceed, then allocated CPA funds are retained by the CPC and can be re-purposed for another project.

The requested CPA funds of \$500,000 represents 10% of the overall project budget and would leverage over \$4.3M in other funding sources, including \$4.1M in non-local sources.

c) Timeline on how CPA funds would be spent, including over multiple years

Valley proposes using CPA funds for construction. These funds would typically be released at the point of "construction closing" with multiple funders that occurs just prior to construction start. Please see schedule below.

2. Urgency of the Project, if any.

- a) For Valley to be competitive for the DHCD (Department of Housing & Community Development) Supportive Housing Round next October (2019), Valley must secure all other local and private funding. Without a commitment of local and private funds, Valley will not be invited in to apply for this special round of funding next fall.
- b) There is increasing urgency to create housing for individuals who are homeless and/or extremely low income. As you may be aware, the Town of Amherst has conducted extensive community processes regarding the issue of homelessness. A Forum on Homelessness (July 2016) attracted several hundred residents. One of the primary strategies identified to address homelessness was the creation of subsidized, enhanced SRO housing units (small studio

apartments) with supportive services. There are currently no units of this type in Town. The seasonal homeless shelter served more than 170 individuals last winter. A Forum in October 2017, sponsored in cooperation with Valley, focused on educating the community about enhanced SRO housing. In September 2017, the Town awarded a CDBG planning grant to Valley to facilitate development of an enhanced SRO because this type of housing is considered a high priority, immediate need. Because it typically takes several years to plan, permit, and raise financing for affordable housing, the sooner Valley can begin to meet important milestones, such as the commitment of local funds, the sooner people in need will have housing.

Over the past 2 years Valley actively scouted for an appropriate, available site. Due to the expensive and competitive housing market in Town (in part driven by cash investors purchasing properties for student housing), prices are high and there is often rapid action to purchase properties listed for sale. Valley is acquiring the current site early in planning because, in the Amherst housing market, an extended Option to purchase (Valley’s normal acquisition method) is not viable. Valley lost the opportunity to buy other sites in Amherst because other buyers were more aggressive and able to acquire more quickly.

3. Estimated timeline from receipt of funds to Project completion.

Apply for Amherst CDBG Funds	December 2018
Develop Plans, Conduct Community Outreach	January – June 2019
CPAC Funding Award	July 2019
Obtain Zoning Permit (“friendly” 40B)	August 2019
FHLBB AHP Funding Application	September 2019
DHCD Pre-Application for Supportive Housing Round	October 2019
FHLBB AHP Awards	December 2019
DHCD One-Stop Application for Supportive Housing Round	December 2019
DHCD One-Stop Award for Supportive Housing Round	July 2020
Construction Closing (all Financing)	April 2021
Start Construction	April 2021
Occupancy Begins	May 2022
Full Occupancy Achieved	July 2022

4. Acquisition or preservation of threatened resources.

Due to the competitive housing market in Town described above, Valley has already lost several potential properties to cash or investment buyers. Were Valley not able to act rapidly on this selected property, we believe it would quickly be sold to another buyer.

5. Population(s) to be served by the Project.

Valley Community Development expects to serve approximately 28 adults when the project is completed with the following proposed tenant composition:

- 10 units for 30% AMI homeless persons (MRVP-Massachusetts Rental Voucher Program)
- 2 units for clients of the Dept of Mental Health - 30% AMI tenants (MRVP)
- 8 units for 50% AMI persons (self-pay)
- 8 units for 80% AMI persons (self-pay)

Current income limits for the Amherst area for a single-person household are:

30% AMI (Area Median Income)	\$16,950
50% AMI	\$28,250
80% AMI	\$45,200

As at other similar properties owned by Valley, we expect that some tenants will require supports to maintain their tenancies and improve their economic stability. Tenants transitioning from homelessness will likely need particular help in their first year of housing. Other tenants may simply need a decent, affordable place to live and have been priced out of the Amherst rental market. These include persons working for minimum wage, part-time employees, retirees living on a fixed income, or persons who have a short-term housing challenge (i.e. someone going through a divorce or recovering from an illness). The range of income levels above is intentionally designed so that there will be a healthy social eco-system in the property with a mix of incomes, as well as disabilities and abilities.

Monthly budgeted rents range from \$650 (50% AMI units), to \$675 (60% AMI units) to \$702 (30% AMI units). The reason the lowest income units have the highest rent is that all of the 30% units will have project-based rental subsidies, so those tenants will pay only 30% of their adjusted gross income for rent. These residents may have rents as low as \$50 per month with the subsidy paying the balance. The 50% and 60% AMI tenants are “self-pay” meaning they need to have sufficient income to pay the rent without a subsidy. These “self-pay” rents are set below actual market rent levels for Amherst.

Income caps and rental amounts are both subject to annual adjustments according to published guidelines from the federal Department of Housing and Urban Development (HUD).

6. How will the CPA investment in your property, facility or project be maintained over time?

- a) An Affordable Housing Restriction (AHR) will be recorded at the Registry of Deeds in conjunction with the award of CPA CDBG funds. This AHR restriction will require housing units remain affordable for a period of 99 years.
- b) The comprehensive nature of renovations proposed for the existing building as well as the newly constructed addition, will ensure that few major capital repairs are needed in early years. The highly insulated building envelope and efficient mechanicals will help reduce

annual utility costs. Ongoing operations of the property will be monitored by funders, particularly the Department of Housing & Community Development (DHCD), through review of financial and residency records and regular on-site inspections of the property. Professional property management services (including on-site part time property management staff) will be contracted to ensure that routine maintenance and capital needs are addressed. Annual replacement reserve payments will be made (\$400 per unit=\$11,200 per year) so that future capital needs can be addressed.

7. Which relevant Town committees and/or commissions are you working with?

This project represents a response to Amherst's housing priorities as articulated in the Town's Housing Production Plan and in guiding documents for the Amherst Municipal Housing Trust.

Valley has worked closely with the Amherst Planning Department in the deployment of CDBG planning funds to facilitate siting and designing a supportive housing SRO.

Valley staff attend monthly meetings of the Amherst Municipal Housing Trust. The Trust continues to advocate for SRO housing as one of the Town's highest priority housing needs.

Valley also met recently with the Amherst Housing Authority (AHA). The AHA has agreed to provide Valley with a support letter. Valley anticipates the Amherst Municipal Housing Trust will approve its support letter at its next meeting on January 10, 2019.

8. Other information regarding the Project deemed necessary for CPAC.

Valley has a solid track record of affordable housing development, having completed over 200 affordable housing units in the region since 1990, including 11 family rental units located at 683-687 Main Street in Amherst, completed in 2008, and 8 homeownership units located on Charles Lane in Amherst, completed in 1996. Valley currently owns and operates 96 affordable rental units, including 11 family units located on Main Street in Amherst. Valley works with the property management firm Housing Management Resources, which manages over 8,000 rental units.

Although the proposed supportive SRO housing is a new model for Amherst, it is a proven housing model for very low income and high need adults in many other communities. Since 1990, Valley has owned and operated SRO housing in Northampton. Currently, we operate 53 SRO units in 4 buildings; 23 of these are set aside for individuals coming out of homelessness and another 4 are set aside for clients of the Department of Mental Health.

Through many years of operating these properties, Valley has developed expertise, as well as important connections with local service providers, that enables high-need, extremely low income tenants to successfully maintain tenancies over many years.

We are attaching some images of SRO properties located in Northampton, most of which are owned and operated by Valley. Of note is that these properties look residential. They are not monolithic or institutional. As mentioned above, our design approach will be to create a building that is compatible in architectural style, massing, and scale with its surroundings. The architect for this project, Kathy Ford, also designed “Valley King Street” and “Valley Go West” depicted in attached photos.

We would like to thank the CPC members for their time in reviewing this proposal and we would be happy to answer questions or supply any additional information.

DEVELOPMENT BUDGET - Amherst Studio Apt Supportive Housing - 28 units
12/13/2018

Sources

Keuhn Grant	\$11,500	
Amherst CPA / Trust	\$500,000	\$17,857 per unit
Amherst CDBG	\$200,000	\$7,143 per unit
Federal Home Loan Bank of Boston - AHP	\$500,000	
Housing Innovations Fund	\$1,000,000	
Housing Trust Fund	\$500,000	11 units
Facilities Consolidation Fund (2 units)	\$171,907	Total DHCD Soft Debt
MA Affordable Housing Trust Fund	\$1,000,000	\$3,601,907
Housing Stabilization Fund	\$930,000	DHCD Soft Debt / Unit:
		\$128,640
Total Sources	\$4,813,407	

Uses

Acquisition	\$407,500	
Renovate existing house (4 units)	\$348,800	1,744 sf * \$200/sf
New Construction (24 units + common areas)	\$1,997,000	(240 sf x 24 units)*30% circulation + 500 sf common @ \$250 / sf
Demolition & Hazardous Materials Removal	\$85,000	
Site Work	\$140,000	Driveway, Utilities, Walkways, Parking
PV Solar	\$80,000	Roof-top Solar Array
Total Construction	\$2,650,800	
Construction contingency	\$265,080	10%
Total Hard Costs	\$2,915,880	
Soft Costs		
Architectural & Engineering	\$265,080	10% of construction
Energy Consultant / HERS rating	\$28,000	\$1,000 per unit
Legal	\$65,000	
Surveys and Permits; Permitting Fees	\$25,000	
Clerk of the Works	\$30,000	
Environmental Engineer	\$15,000	
Title and Recording	\$12,000	
Accounting and Cost Certification	\$7,500	
Marketing and Rent Up	\$20,000	
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	\$24,000	
Utilities & Utility Connections	\$25,846	
Sub-total	\$733,661	
Soft Cost Contingency - 10%	\$73,366	
Total Soft Costs	\$807,027	17% of TDC
Capitalized Operating Reserve	\$95,000	
Capitalized Replacement Reserve	\$28,000	
Developer OH	\$280,000	
Developer Fee	\$280,000	
Total Development Cost (Total Uses)	\$4,813,407	
Total Cost Per Unit	\$171,907	

Sources Less Uses **\$0**

Valley
Community
Development



Building.
Access.
Opportunity.

STUDIO/SRO HOUSING IN NORTHAMPTON



Sergeant House

Bridge Street, Northampton

15 Room SRO; slated for expansion to 31 studios



Sergeant House

Bridge Street, Northampton

15 Room SRO; slated for expansion to 31 studios



The Lorraine

Pleasant Street, Northampton

30 Studios, 2 commercial spaces

Way Finders, Owner



Earle Street, Northampton

15 Studios

Way Finders, Owner

Valley
Community
Development



Building.
Access.
Opportunity.

STUDIO/SRO HOUSING IN NORTHAMPTON



Valley Go West

North Main Street, Florence
17 Studios,
2 commercial spaces
7 units reserved for formerly
homeless individuals
4 units for clients of DMH



Typical kitchen



Valley North Maple

N. Maple Street, Florence
11 Room SRO, 2 commercial spaces
All units reserved for formerly
homeless individuals



Valley King Street
Rear Patio & Bike
Storage Area



Valley King Street
Unit Floor Plans



Valley King Street

King Street, Northampton
10 Studios
1 commercial space
5 units reserved for formerly
homeless individuals