

Wayland Municipal Affordable Housing Trust Fund

December 7, 2016 Meeting
Wayland Town Building

CORRECTED MINUTES

as approved 1/4/2017 and corrected 4/6/2017

Present: Mary Antes, Chair; Brian O’Herlihy, Susan Weinstein, Jennifer Steel, Mike Staiti, Stephen Greenbaum; Trustee Kevin Murphy entered at 7:35pm.

Other: Brian Boggia, Housing Authority Executive Director

M. Antes called the meeting to order at 7:32pm.

There was no public comment.

B. O’Herlihy moved approval of the November 9, 2016 meeting minutes, as amended; seconded by M. Staiti; approved 6-0.

M. Staiti and B. Boggia presented information regarding development of two possible units on WHA properties. WHA had previously requested authorization from HUD to develop an additional unit but HUD won’t subsidize more public housing units in Wayland. They met with HUD representatives in Boston to discuss the possibility of adding Trust-funded units on WHA property. Several issues were discussed.

- The units under consideration would be rented for \$1,300 1-br and \$1,600 2-br as under Chapter 40B [132 Commonwealth].
- The estimated conversion cost is \$60-80k [132].
- The assumption is that Trust would pay for most of it [both properties].
- The WHA would need to hold public hearing in order to reallocate funds [both].
- 132 Commonwealth has been challenging to lease, heat, etc. Comprehensive permit was granted to make it into 2 2-br units, but HUD opposed conversion of the unit. The septic system is 5-bedroom compliant but needs upgrading [132].
- The benefit of Trust owning the units is that there would be no real estate taxes assessed. However, it could be complex to divide the property for tax purposes and there are complications involved in getting a release from HUD [both].
- If such development occurs after Wayland reaches its affordable housing goal, Chapter 40B would still be available, though the ZBA would not be obligated to accept it [both].
- M. Staiti said there are possibly 4 sites that could accommodate another unit.

M. Staiti moved that the Trustees approve spending up to \$5,000 for legal costs, Local Initiative Program (LIP) application preparation, and septic inspection to convert 132 Commonwealth from one 5-bedroom unit to two 2-bedroom units. We would still need to resolve the ownership issue but will initially move forward under WHA ownership; seconded by B. O’Herlihy; approved unanimously. M. Staiti will reach out to the neighbors.

B. O’Herlihy suggested requesting pro bono work from the new town counsel. It would be nice to meet them, so the trustees would like to invite them to a future meeting.

The more challenging property is 222 Commonwealth with 2 2-bedroom units. The septic system is designed for six bedrooms. The property is not fully in compliance with zoning; except for the setbacks, it is otherwise conforming. The idea is to develop in accordance with the LIP process, with

the building being an energy-efficient, 1,000-square foot, 2-bedroom unit. The rough estimated building cost is \$200,000-\$225,000, but higher when prevailing wage rates apply.

M. Antes said that Habitat for Humanity MetroWest/Greater Worcester might be interested in building on WHA property; however, she does not know if they would build a rental unit because they use a home ownership model.

The Trust would need to spend money on architectural plans and initial legal costs. We can use CPA funds for architectural plans and legal costs if they are related to development of “community housing” units as defined in the CPA. If we leave the land in WHA ownership and don’t add to the HUD inventory, the transaction is able to be approved in HUD’s Boston office. The consensus was to wait to request a release regarding asset ownership until the proposal has approval from the applicable Town boards.

M. Staiti moved to approve expenditures up to \$10,000 for engineering, legal, and architecture costs to build a second structure/third unit at 222 Commonwealth; seconded by B. O’Herlihy; approved unanimously.

B. O’Herlihy noted that Town Administrator Nan Balmer had asked to be kept apprised of our plans, so M. Staiti will get in touch with her and provide an update.

The Town Planner asked M. Staiti to be in touch with the owner of 13 King Street, a conforming 2-family home that owes \$160,000 in back taxes. Owner lives on the Cape, not paying taxes, not doing maintenance. The Trustees discussed whether there would have to be an auction after foreclosure or whether the Trust could acquire by the property through purchasing the tax lien. S. Greenbaum will get in touch with the Town Treasurer regarding the status of the tax foreclosure and whether the Town would sell the tax lien to the Trust.

The Wayland Real Assets Planning (WRAP) Committee has looked at the largest town-owned parcels in town and will conclude its work without addressing the entire inventory of town-owned properties.

B. O’Herlihy reported that Eric Goldberg, ZBA Chair, could talk to the Trustees about process but would not comment on how the ZBA might decide a case. He was willing to provide previous decisions that might inform the Trust.

The Trustees continue to support the idea of creating a replicable, streamlined process for 40B proposals.

M. Antes spoke with Sarada Kalpee, our Director of Veterans’ Services; Julie Secord from the Council on Aging; Bonnie Biocchi, Habitat MetroWest Development Director; and Ellen Brideau about a small grants program. The Habitat small grants program requirements are that the owner must live in the house, be within 30-60% AMI, and the repairs must be necessary for health and safety. Their concern was publicity, how people can learn about the small grant program for health and safety repairs. Habitat provides the workers and the money. Money that is contributed by Home Depot can only be used for Veterans. The Trust might be able to add to the \$5,000 from Habitat.

M. Antes will ask attorneys about the Anti-Aid Provision. She heard it does not apply for affordable housing. (Relevant text of MA Constitutional Amendment is appended.)

B. O’Herlihy inquired about whether this is mission aligned., as the Trust is for the benefit of housing for low- and moderate-income people, and it is not clear whether the Trust supporting repairs to a \$400,000 house, for example, is serving the Trust’s purposes.

S. Weinstein had nothing to report regarding the website. She did, however, report that the Community Preservation Committee had voted in favor of allocating \$20,000 to hire a consultant to work on affordable housing issues with the Trust and the Housing Partnership. N. Balmer suggested that Trust and Housing Partnership might combine functions. This means that the Trustees need to consider whether we would want to take on additional responsibilities.

B. O’Herlihy reported that the Town paid the auditors and reimbursed itself the amount of our charges from our account. He facilitated the investment of \$200,000 in 2 18-month CDs at 1.24%. He did not open an additional CD because interest rates are increasing. The Trustees agreed to consider whether to reinvest in June and also not to invest in an additional CD at this point.

J. Steel presented the summary that she and S. Weinstein had produced to promote affordable housing in Wayland. It emphasizes that people will need to accept change in order to make progress on providing sufficient affordable housing. S. Weinstein will work on a draft for public consumption.

For the next meeting, on January 4:

- Updates on the two Commonwealth Road properties
- Discussion regarding the Karen Sonnarborg report
- Update on King Street property
- Update on Alpine Road school-owned property.

Kevin Murphy, Planning Board representative to the Trust, is resigning. The Planning Board is recommending that Bob Duffy take Kevin’s place. The Trustees extended appreciation to Kevin for all he has done for the Trust.

K. Murphy moved we adjourn, S. Greenbaum seconded, voted unanimously.

Meeting adjourned at 9:16pm.

Respectfully submitted,
Susan Weinstein

Documents discussed at meeting:

- Draft minutes of November 9, 2016
- Memo re 132 and 222 Commonwealth
- Pro Forma, 222 Commonwealth
- Treasurer’s report, MAHTF at 11/30/16

APPENDIX: Anti-Aid Provision, Amendment to MA Constitution

Article XVIII.

Section 1. No law shall be passed prohibiting the free exercise of religion.

Section 2. All moneys raised by taxation in the towns and cities for the support of public schools, and all moneys which may be appropriated by the commonwealth for the support of common schools shall be applied to, and expended in, no other schools than those which are conducted according to law, under the order and superintendence of the authorities of the town or city in which the money is expended; and no grant, appropriation or use of public money or property or loan of public credit shall be made or authorized by the commonwealth or any political division thereof for the purpose of founding, maintaining or aiding any other school or institution of learning, whether under public control or otherwise, wherein any denominational doctrine is inculcated, or any other school, or any college, infirmary, hospital, institution, or educational, charitable or religious undertaking which is not publicly owned and under the exclusive control, order and superintendence of public officers or public agents authorized by the commonwealth or federal authority or both, except that appropriations may be made for the maintenance and support of the Soldiers' Home in Massachusetts and for free public libraries in any city or town, and to carry out legal obligations, if any, already entered into; and no such grant, appropriation or use of public money or property or loan of public credit shall be made or authorized for the purpose of founding, maintaining or aiding any church, religious denomination or society.]

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Memo

Note: This memo has been edited to replace the word "Avenue" with the word "Road" in all references to the street named Commonwealth in Wayland.

Date: November 30, 2016

To: Wayland Municipal Affordable Housing Trust Fund

From: Michael Staiti, Trustee
Brian Boggia, WHA

Re: 132 Commonwealth Road
222 Commonwealth Road

Summary

Discuss the allocation of WHT funds for the following two purposes:

1. Conversion of 132 Commonwealth Road from a five-bedroom single family unit into two (2), two bedroom units, thereby increasing Wayland's affordable housing inventory by one unit. Estimated cost to do so is \$60,000-\$80,000.
2. Appropriate up to \$10,000 for engineering, legal and architectural work to design a second structure (third unit) at 222 Commonwealth Road under a Local Initiative Program application.

132 Commonwealth Road

Background

Wayland Housing Authority (WHA) purchased this property in 1980 as a two-family property. However, the two-family status was illegal and when the WHA applied for two-family zoning, an abutter protested and the WHA was forced to convert the building to a single-family unit of five bedrooms. According to Brian Boggia, the WHA has had trouble renting such a large property over the years and has also found the property to be costly to operate. It is the WHA's preference to convert this property back to a two-family.

In 2007, the WHA went through a LIP process to convert the property back to a two-family and went as far as design plans and cost estimates. A comprehensive permit under MGL Ch. 40B was granted on November 13, 2007 and funds were appropriated. However, HUD which has final decision on releasing a unit, declined to release the unit at the time for conversion.

Proposal

Appropriate WMAHTF funds to

1. Refile for a comprehensive permit (estimated at \$3,000 or less); and
2. Upon approval, appropriate up to \$80,000 to convert the property to a two-family.

This would increase the number of affordable units in Wayland by one unit at a relatively low cost and also help solve a long-standing issue for WHA.

222 Commonwealth Road

Background

222 Commonwealth Road is currently a two-family property on a 30,000 SF lot. The property is located in a R-20 zone and the structure is non-conforming due to side setback violation (7.5 feet on right side of lot). The unit is part of WHA's inventory and has a relatively new, six-bedroom septic system built in 1995. The system is currently underutilized as the existing structure has a total of four bedrooms.

Based on initial analysis, Brian Boggia and I believe a third unit could be added to the site in a cost-effective manner through either a special permit process with the Planning Board or a LIP process with the Board of Selectmen and ZBA.

Permitting Options

The WHT has three potential options when trying to add units to existing WHA sites:

1. File a Local Initiative Program application under MGL Ch. 40B with the Board of Selectmen and then the Zoning Board of Appeals. Viable, somewhat expensive, and subject to political process with neighbors/BOS/ZBA.
2. Request a hardship variance from the ZBA. Unlikely as hard to show hardship.
3. File for a special permit with the Planning Board. This option was brought up by a member of the ZBA I talked to informally and has not been vetted with the building inspector or the town planner as of this meeting date.

Cost Estimates

Initially, I estimate \$10,000 to perform the following tasks:

1. Create site plan for accessory structure
2. Create floor plans and elevations for new structure
3. Complete LIP application for filing with Mass Housing, BOS, and ZBA
4. Create building specifications, engineering plans, framing plans, and window schedule for new structure
5. Create septic plan and file with BOH.

Steps 1-3 should be completed first and then used to a) file with state and local boards and b) perform initial cost estimate. Estimated cost of these steps: \$4-5k.

Funds for steps 4 & 5 would only be spent after we had approvals and performed more detailed cost estimate. These steps allow us to file for a building permit with the Town of Wayland.

Construction

Construction would be awarded through a RFP process. Initial construction costs for 1,000 SF, 2-bedroom, 1.5-bath unit are estimated at \$200,000-\$225,000. This assumes local building fees are waived and existing septic has adequate capacity for the two new bedrooms. I estimate approximately six months to construct the new unit after permits are issued.

Financial Viability

See attached financial model. In summary, assuming total investment by the WMAHTF of \$225,000, the project with or without debt financing would yield a 6% return on investment.

Issues

- Determine if special permit or LIP process is the best way to proceed
- Determine who can complete LIP application
- Confirming septic capacity/design
- Determine who would have final ownership-WHA or WHT
- Decide on use of leverage
- Establish an RFP process-cost, who handles, how award is made...
- Other

WHT Pro Forma 222 Commonwealth

Note: Imported from Excel

				Duplex, For Rent		
				50% debt scenario		
				No Debt	50% leverage	Notes
	Income					
	Monthly rent per unit			\$1,650	\$1,650	1 2BR unit at current affordable housing rents
	Annual rent			\$19,800	\$19,800	
	Operating Expenses					
	Real Estate Taxes			\$1,400	\$1,400	Assumes 10% of NOI
	Insurance			800	800	Estimate from B. Boggia
	Management Fee			600	600	Assumes mgt by WHA
	Maintenance			2,500	2,500	Assumes 50% for capital reserve
	Electric/gas			0	0	utilities by tenant
	Snow Removal/landscaping			0	0	by tenant and WHA

	Misc.			<u>1,000</u>	<u>1,000</u>	legal and accounting
	Total Operating Expenses			<u>\$6,300</u>	<u>\$6,300</u>	
	Net Operating Income			\$13,500	\$13,500	
	Debt Service (x)			<u>\$0</u>	<u>(\$6,506)</u>	
	Excess Cash Flow			<u>\$13,500</u>	<u>\$6,994</u>	
	Cash on Cash Return			6.0%	6.2%	
	Value based on cap rate of		8%	\$168,750	\$168,750	
	DCR			NA	2.08	
		Construction costs		\$225,000	\$225,000	assumes 1000 SF detached unit at approximately \$200 per SF
		Debt		\$0	\$112,500	
		Interest Rate		4.00%	4.00%	
		Equity %		\$225,000	\$112,500	Assumes money comes from Trust
		Amortization Years		30	30	
	Notes:					
	Would need municipal construction fees waived-building, septic, water meter, etc. to achieve construction number					