

## Municipal Affordable Housing Trust

### Minutes

Monday, November 16, 2020

### Virtual Meeting

Chair Chris Vericker called the above-captioned **Remote Access Virtual Zoom Meeting** to order this date at 9:30 AM. Members in attendance: Jamie Hellen, Chris Feeley, MaryAnn Bertone, Judy Pfeffer, Maxine Kinhart. Members absent: Bob Keras. Also present: Amy Love, Planner; Bryan Taberner, Director of DPCD, Jon Juhl of JNJuhl & Associates

*As stated on the agenda, due to the growing concerns regarding the COVID-19 virus, the Housing Trust will conduct a **Remote Access Virtual Zoom Meeting**. The Massachusetts State of Emergency and the associated state legislation allows towns to hold remote access virtual meetings during the COVID-19 pandemic crisis. In an effort to ensure citizen engagement and comply with open meeting law regulations, citizens will be able to dial into the meeting using the provided phone number, or citizens can participate by using the Zoom link also provided on the agenda.*

#### Affordable Housing Discussion

Chair Chris Vericker asked for meeting to discuss Trust finances and to get a better handle on what our commitments are and what our contingent liabilities are. Every time another opportunity gets presented to, us we need to make sure we are able to fund the current commitments. What are our commitments to Franklin Ridge? Right now we're at \$500,000 and potentially \$550,000 if we get the grant for the water pump. What are some of the other things that could happen after funding is secured, but during construction, if the project runs into cost overruns based on changes in design that we may or may not approve? Would like to know who is responsible for that? What warranties on houses we have sold are out there? It would be imprudent not to have some reserve set aside for that. Getting to the point that we need to know what are we committed to and what are our contingencies and what do we do going forward?

#### Franklin Ridge:

Jon Juhl of JNJuhl & Associates and Bryan have been working on a Housing Choice grant for the pumping station. Contingencies are put into a project like this before closing on all financing. We carry a 5% construction contingency, in this case around \$800,000 on the construction side and then on the soft side (general development side) a 3-5% contingency. Something like legal fees that exceeded what was in the budget. JNJ is responsible for that. Wouldn't look to the town for that. Never have had a problem

of exceeding those contingencies. However, could work it out with DHCD if the costs can be justified. At this particular point, what is in the market right now? We know that there is a substantial single family market and that is because of low interest rates and people working at home instead of their offices that has caused a surge in construction and the fact that factories are not efficient as they once were. The result is significant rising prices in terms of material costs. They have increased substantially in the six months since the pandemic. Bottom line is that should settle itself, with the pandemic and the good news with Moderna and things moving forward with a vaccine, the market might settle down a bit by the time this project gets constructed. We'll have all those numbers in place and agreed with DHCD at that point before we close. I don't look to the town to come back after the fact to bail me out. I have to work it out and make sure that the contractor that gets the bid is basically doing a lump sum contract, inclusive of all things. There are two components on the construction of this, one is the construction of the building itself which I'm very confident in based on years doing this. With new construction, everything is there so the contractor knows what the elements are, based on the plans. The unknown is really in the street, in the site itself. It is our greatest contingency, so we focus on that and do the geotech and everything else necessary to identify the ledge or any other site related issues.

Chris V asked how much have construction costs risen in the last 6 months? Material costs have almost doubled in some cases on the wood costs. Have seen this before in three cycles: 1980s, 1990s, and 2009 when significant issues arose related to recession. The industry wipes itself out in those kinds of circumstances, and competition becomes less and labor and materials costs start to increase. The ones back in 2008, 2009 or 2010 really wiped out the lumber industry because they didn't stay in business. When it came back a few years later, the prices really spiked because there was less competition. There is good news today, the vaccines in the spring, and getting back to normal by the end of 2021. Competition should start to come back with restrictions lifted and so forth. Contractor periodically gets opportunity to bid on the project. All those issues play out driving costs to between \$200 and \$300 per sq. ft. of cost across the board, whether single family house or multi family structure. This project will get a lot of interest and there will be a very competitive process. We will have at least a half dozen maybe even more bidding on this project because it's a good size project and relatively easy and the plans will be pretty well thought out by then.

Discussion of the \$50,000 match. Once we actually have a firm estimate on costs, then we'll know precisely how much of a match we'll really need. We might be going with \$40,000 or \$30,000 and can

save the remainder of those funds. If something were to happen and the town needs an additional few thousand dollars for say, site work or surveyor work, whatever the case may be, it will be there. It's good to hold back some of the money. Until we actually have a firm estimate of what's going to the state, we are not going to know what the dollar match will be. Not going over \$50,000. Numbers coming within a week or so from CDM Smith. Should have a budget before Thanksgiving. Is the pumping station an independent project of Franklin Ridge? So we might end up getting approval before approval of Franklin Ridge? This is all design work for pumping station. Yes, the award is in spring or early summer. If the town gets an award, then we'll have until June 30 of 2022 to complete the design work.

One other thing is the makeup of the units is not finalized because he is not in agreement with state. Because one developer had trouble renting 2 bedroom units, DHCD is a little opposed to them at this point. Jon has proposed 45 1 bedrooms and 15 2 bedrooms based on an understanding of the market. DHCD is a little opposed to the 2 bedrooms component, because one developer ran into trouble with renting 2 bedroom units. DHCD's position is that they should all be 1 bedroom units. We might ultimately have to do that. That is DHCD's position at the moment.

#### **Warranties:**

Would like a better understanding of what warranties we may have out there. Some of the houses that we renovated and sold that we do have a warranty. Is it ten years? Maxine stated that program that we purchased, rehabbed then resold – some talk around DHCD that units should have a five year warranty. The trust said that we would cover them for 5 years. Good news is that the five years on most of those of those units is up. There are 2 from 2016 that are up in 2021. So we technically have limited exposure as far as warranties are concerned.

**Update on 35 Longboard Drive.** Recently we received a copy of a house inspection where there are a lot of issues identified. The sales agent is asking if the town would consider putting some money towards those repairs. The original homeowner died and the daughter is trying to sell unit. The unit originally sold in 2008 or 2009 and there is a lot of equity there. Is it unreasonable to ask daughter to absorb those costs? Judy stated that the property has only one mortgage for about of \$80,000 and the unit is selling for over \$230,000. Tons of equity on this property. It is the seller's responsibility to fix the property up, not the Town's responsibility to do so. Judy does not think we should fix unit, daughter

should fix it. MaryAnn stated that half of the issues identified in the report are responsibility of the condo association. MaryAnn does not think the Trust should give any money. Chris F. asked whether the town should purchase the unit then fix and sell and also asked why does the seller get to walk away with all the equity? Maxine said she doesn't think they should. Chris V. stated he would not be in favor spending funds to fix without putting a mortgage on the property to get the funds back upon sale. If the condo is not sold within 90 days then the deed rider dictates what happens. One deed rider survives and the condo can be sold to an ineligible purchaser (one that is not income restricted) at the maximum retail price and is still deed restricted. One deed rider dictates that the condo can be sold to anyone at market rate and any funds over the maximum resale price is returned to the town. This happened once with a condo in the Oak Hill Village development. This condo has been for sale over the 90 days. The Department of Housing and Community Development paid for the Condo to be advertised on the MLS system. The sales agent does have an eligible purchaser, but they are the ones asking for relief.

**MOTION** by Chris F. to not spend trust funds to help with repairs to 35 Longobardi Drive. **SECOND** by Judy. **ROLL CALL Vote; Chris Feeley – Yes, Judy Pfeffer – Yes, MaryAnn Bertone – Yes, Jamie Hellen - Yes, Maxine Kinhart – Yes, Chris Vericker – Yes. Vote 6-0-0 Unanimous**

**CPA Discussion:** On the passage of CPA, how does it fit in with what our mission is, which is generally focused on affordable housing. There is open space, recreation, and something referred to community housing.

Jamie stated that CPA passed by a decisive vote. This vote was the highest turnout in town history for an election, just under 20,500 folks came out to vote. It was 59% to 41%. There were 8 towns or cities that had the CPA on the ballot and all passed, including Framingham. It is the 20 year anniversary of when CPA was signed into law. This has provided a lot for the communities some excellent stuff. A bylaw proposal is required to go through first. The town is required to put forth a Community Preservation Committee bylaw. The bylaw is basically outlining a CPA committee that is required under the statute. The Council will be looking at this on Wednesday with a second reading in December. There are 5 mandatory seats; one member from the Planning Board, the Historical Commission, Conservation Commission, the Recreation Advisory Board and the Housing Authority with up to 4 more seats with a maximum membership of 9. The Council will look at a draft Bylaw including the Agricultural Committee to have a seat because there is usually the Open Space Committee but Franklin doesn't have one. There will be 3 At-Large appointments. The At-Large appointments will be staggered three year terms. There will be a public posting for the At-Large seats. Appointments should reach the Council sometime in

February. Important to note that tax collections don't start until July 1, 2021. You need to have a full year of tax collections revenue before the state will give you a match. So it's anticipated that the first match that the town will likely receive is all the way out to October or November 2022. The actual match for most communities last year was 24%. The Community Preservation Coalition believes that the match will likely be higher in the future because of all the real estate transactions. The state matching fund is tied to real estate transactions and those fees have increased over the years due to the housing market. The benefit to the Housing Trust mostly is a funding source. The Trust has about \$380,000. If you think of the CPA as a revenue source, the Trust would likely be the largest beneficiary in town. If you estimate each year 1.25 million in local revenue plus another \$250,000 a year in state matching. In rough numbers, you're looking at 1.5 million a year in CPA funds. 10% of those funds have to be spent each year and set aside for affordable housing. That's a \$150,000 a year. Funds could be expended for Franklin Ridge, a housing study, or Improvements. Chris F. asked if funds have to be spent? They can be set aside every year. Must have 10% for housing, 10% for historic preservation and 10% for open space. The remaining 70% is discretionary. The CPC will make recommendations to Town Council for appropriation each year or recommend to bank it. Maxine questioned the committee composition that has to be formed. Why one seat to the Housing Authority and not the Housing Trust? How does that work? Funds can theoretically be used for a Housing Authority project. You could say to Lisa here's \$50,000 to do xyz. Because the Housing Authority is statutorily in the law as mandated seat, you have to do that. Jamie consulted the Town Attorney on The Trust and his take was there would be an inherent conflict of interest because the Housing Trust will likely be one of the primary recipients of the funds and therefore having a person on the outside of the actual decision making process of the committee would make the most sense. The Trust will likely present before the CPC to request funding. A lot of our community will be looking to this Board for guidance with the most knowledge of the issues surrounding affordable housing. You can bank funds for 4 or 5 years to get a bigger bang for the buck. You can also apply for funds from the 70%. The new committee is going to have a lot of questions, about how things work. It is important to point out that you can borrow against future revenues. Chris F. stated the Housing Authority has voted to appoint him to the Committee Preservation committee. Will he need to recuse himself on Housing Trust matters? Need to seek an ethics opinion.

Chris V. asked if the Trust has any revenue sources out there. Franklin is turning into a market rate community. When the housing market settles its becoming a more affluent Metrowest suburb. Bigger homes, more expensive homes, condos and apartments – all market rate. Did move Inclusionary

Zoning, but that is on hold. Maxine stated originally, we received money from the power plant. Then Palladini Village and Eagles Nest came to us and said that they couldn't build affordables and asked if they could buy out. We did get several hundred thousand out of that. Those kinds of developments haven't come around in a long time though.

Chris V. stated we are committed to \$500,000 for Franklin Ridge and potentially up to another \$50,000 for the pumping station. We have about \$380,000 in the kitty and it's unlikely we will have to fund any warranties on the 5 year housing program. We really need to focus on what we spend our money on. Judy stated there is enough land by Eaton Place to put another high-rise 60 unit senior housing building. Thinking forward with money coming in from CPA and with our funds, we could build a senior high-rise. Also, Davis Thayer School is going to be released by the School Committee. What is the procedure? Does it remain as property of the school department where they could rent it out, or if it's declared surplus, does it go to the town? If it comes to the town, the town would make the decision. Davis Thayer would be excellent for senior affordable housing with housing on the second and third floors. You have to put an elevator in there. That would be perfect. Jamie wants an Affordable Housing Plan approved by the Town Council. Davis Thayer provides great parking. It's going to be really really expensive to put an elevator in there. Chris V. wants the focus of the Housing Trust to be the creation of the plan for the next year. Jamie said to work with Bryan, Amy, and Max on what that plan is. What are our priorities down the road? What is the feasibility of converting the Davis Thayer building? Even if it stays vacant it still provides valuable parking.

How do we approach this Bryan? Without covid, the plan would be done by now. One of our priorities is to move inclusionary zoning forward. We can get a power point presentation put together. We need public meetings where we ask for public input. It can be at a Trust meeting held at night for better chance of public input. Roughly a year from now, we will focus on Open Space and Recreation plan.

**MOTION** to adjourn by Chris F. **SECOND** by Judy. **Vote:** 6-0-0 Unanimous.

Submitted By,

*Maxine Kinhart*

Maxine Kinhart, Trustee