



October 28, 2009

Ms. Amy Schectman, Associate Director  
Division of Public Housing and Rental Assistance  
Department of Housing and Community Development  
100 Cambridge Street, Suite 300  
Boston, Massachusetts 02114

Re: Proposal to Transfer a Portion of CHA's State Public Housing Portfolio to Federal Public Housing

Dear Ms. Schectman:

This letter outlines the Cambridge Housing Authority's (CHA's) proposal to transfer a substantial portion of its state-assisted public housing portfolio to the federal public housing program. The proposal is contingent upon reaching a Memorandum of Understanding that provides for state funds to assist to with transfer costs, state public housing operating subsidy through the development period, full state public housing operating subsidy for the units remaining in the state program, and assistance for households that do not meet the U.S. immigration status required in federal public housing.

### PROPOSED PROGRAM

The CHA is proposing under the American Recovery and Reinvestment Act (ARRA) to seek HUD approval to federalize a total of 554 units of its 663-unit state public housing portfolio. The proposal will utilize a combination of Capital Fund Recovery Act Competitive Program as well as Formula funding. The specific developments to be federalize are as follows:

***A. Competitive Capital Fund Recovery Program***

	<u>Current</u>	<u>Proposed</u>
Lincoln Way (200-3)	60 units	70 units
Jackson Gardens (200-5)	<u>46 units</u>	<u>45 units</u>
Total	106 units	115 units

CHA's use of competitive funds to transfer these two properties to the federal public housing program has been previously discussed with DHCD. We are using available federal public housing operating subsidy from Washington Elms and John F. Kennedy Apartments to acquire and rehabilitate units at Lincoln Way and Jackson Gardens. The CHA received \$10 million through the Capital Fund Recovery Act Competitive Program in September 2009 to provide the final funding of a \$55 million redevelopment effort.

**B. Formula Capital Fund Recovery Program**

	<u>Current</u>	<u>Proposed</u>
Woodrow Wilson Court (200-1)	69 units	68 units
Manning Apartments (667-1)	199 units	199 units
116 Norfolk Street (667-2)	39 units	39 units
24 Linnaean Street (667-3)	24 units	20 units
Russell Apartments (667-4)	51 units	51 units
State Elderly Condos (667-5)	5 units	5 units
St. Paul's (667-6/705-2)	21 units	20 units
Willow Street Homes (705-1)	15 units	14 units
State Family Condos/Scattered Site (705-2/3/4)	<u>25 units</u>	<u>25 units</u>
Total	448 units	441 units

The CHA is proposing to transfer an additional 441\* units of state public housing units to the federal public housing program using provisions which exist within the ARRA program that allow housing authorities to expand their federal public housing program above the limitations of the Faircloth Amendment. The only portion of CHA's current state portfolio that would not be federalized is Jefferson Park (200-2) which is currently proposed for demolition and new construction, and the properties developed through the Chapter 689/167 program.

As you are well aware, the proposed federalization of these units will have substantial financial benefit for the Commonwealth of Massachusetts, relieving both the operating and capital budgets as follows:

- In terms of the operating budget, the CHA estimates that the savings to be approximately \$1.26 million based upon the CHA's state public housing FY 2009 program year.
- The savings on the capital side is even more substantial. CHA's Capital Improvement Plan identifies capital needs at these sites in excess of \$62 million.

**PROPOSED MEMORANDUM OF UNDERSTANDING**

Key to our ability to move forward with our conversion plans is to reach an agreement with DHCD regarding certain aspects of the proposal. Specifically, we would like DHCD to commit to the following:

- Providing the soft cost funds associated with transferring the additional 441 state public housing units to the federal program. The CHA estimates these costs to be \$450,000 as outlined in the attached budget.

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\* CHA proposal removes from the inventory basement or other substandard units.

- Providing \$882,000 in construction funding to augment the \$2,000 per unit allocation required by the federal public housing development program. Additional funding is needed as the projected construction costs associated with the transfer of state public housing units is estimated to be \$1,764,000. For this work, CHA will commit \$882,000 in ARRA formula funds in addition to the \$7.2 million of federal funds it has already committed to the Lincoln Way and Jackson Gardens project.
- Continuing to provide a development with state operating subsidy through the federal development period until the end of the initial operating period as defined by the federal public housing program requirements.
- Providing sufficient operating funds to fully fund the operating budget at Jefferson Park. In 2009, Jefferson Park's operating deficit was approximately \$156,000. The projected savings of \$1.26 million noted above is based upon this reallocation.
- Providing operating subsidy to support households who currently live in state public housing, and are not U.S. Citizens or have qualified legal immigration status. The CHA estimates that 44 households, or approximately 10% of the households in affected units, would not meet the citizenship/legal immigration status. For these families, the CHA is requesting that current subsidy dollars be used to create a MRVP-like program to subsidize them in either non-CHA housing or CHA federal as the CHA would forego receiving a federal operating subsidy in those units. The CHA estimates the annual cost of such a program to be \$290,400, or \$550 per month per household. This program would reduce the projected operating subsidy savings to approximately \$969,600 annually.
- Designating in the Commonwealth of Massachusetts Low-Income Housing Tax Credit Qualified Allocation Plan that either current or former state public housing properties requiring gut rehabilitation to revitalize the property receive priority for 9% credits.

## CONCLUSION

A unique opportunity exists to use federal resources to alleviate both the operating and capital obligations of the Commonwealth of Massachusetts. The CHA is developing a plan to transfer 554 units of state public housing to the federal program. However, to accomplish this program, the CHA needs the support of DHCD.

Specifically, we need DHCD to provide the CHA with \$1.3 million to cover soft costs and some construction costs, fully fund the operating costs of the one remaining state public housing property until its transformation, and provide annual financial resources to assist families who do not meet the required citizenship/legal immigration status of the federal program. In turn, the Commonwealth of Massachusetts would realize significant short and long-term benefits. Implementation of the CHA's proposal would reduce the operating subsidy provided by DHCD to CHA by approximately \$969,600 annually. Additionally, the transfer would remove from state obligations properties with an estimated capital need for deferred work in excess of \$62 million. The value for the Commonwealth of CHA's proposal over a ten-year period is nearly \$75 million!

We look forward to review of our proposal as well as acceptance of the key terms of a proposed memorandum of understanding relating to CHA's proposed transfer of state public housing to the federal program.

Please feel free to telephone me at (617) 864-3020 or Terry Dumas of my staff at (617) 520-6263 with any questions or if you require additional information. Thank you for your consideration.

Sincerely,

  
Gregory P. Russ  
Executive Director

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## PROJECT SOFT COST BUDGET – STATE TRANSFER

Summary -

# of developments: 9

# of locations: 18

# of units: 448

Construction Budget - \$1,550,000

### **ADMINISTRATION**

PHA Administration \$ 25,000

### **FEES AND COSTS**

Architectural and Engineering \$ 185,000

Clerk \$ 25,000

Title, Title Insurance and Recording \$ 115,000

Legal (including zoning opinion and closing) \$ 35,000

Surveys \$ 12,500

Zoning Analysis \$ 12,500

Environmental \$ 15,000

Sundry (Printing, Advertisement, etc) \$ 10,000

Contingency \$ 15,000

\$ 425,000

**TOTAL SOFT COST BUDGET \$ 450,000**

## Scope of Work

DEVELOPMENT	# OF UNITS	PROPOSED IMPROVEMENTS	CONSTRUCTION BUDGET	ARRA FUNDED	DHCD REQUEST
Manning	199	Elevator Upgrade	\$ 625,000.00	\$ 398,000.00	\$ 227,000.00
116 Norfolk Street	39	Elevator Upgrade	\$ 400,000.00	\$ 78,000.00	\$ 322,000.00
St.Paul's	20	Kitchen and Bathroom Upgrades	\$ 140,000.00	\$ 40,000.00	\$ 100,000.00
Linnaean Street	20	Kitchen and Bathroom Upgrades	\$ 150,000.00	\$ 40,000.00	\$ 110,000.00
2050 Mass Ave	51	Masonry Repointing and EIFS	\$ 102,000.00	\$ 102,000.00	\$ -
Willow Street	14	Site Improvements	\$ 28,000.00	\$ 28,000.00	\$ -
Woodrow Wilson Court	68	Stair Tread Replacement/Common Hall Improvements	\$ 136,000.00	\$ 136,000.00	\$ -
State Elderly Condo	5	Kitchen and Bathroom Upgrades	\$ 32,500.00	\$ 10,000.00	\$ 22,500.00
State Family Condo	17	Kitchen and Bathroom Upgrades	\$ 110,500.00	\$ 34,000.00	\$ 76,500.00
Hingham	4	Kitchen Upgrades	\$ 20,000.00	\$ 8,000.00	\$ 12,000.00
Inman	4	Kitchen Upgrades	\$ 20,000.00	\$ 8,000.00	\$ 12,000.00
	441		\$ 1,764,000.00	\$ 882,000.00	\$ 882,000.00