

DRACUT HOUSING AUTHORITY

AGENDA FOR A JOINT MEETING BETWEEN THE HOUSING SUB-COMMITTEE OF THE DRACUT SELECTMEN
AND THE HOUSING SUB-COMMITTEE OF THE DRACUT HOUSING AUTHORITY

MARCH 6, 2014

971 MAMMOTH ROAD

DRACUT, MA 01826

3:30 P.M.

- Roll Call
- Presentation by Maura Camosse Tsongas from the Women's Institute for Housing & Economic Development on the funding scenarios for the Richardson Property.

TOWN OF DRACUT
Notice of Meetings of Town Departments and all Town Boards
As required by Chapter 39, G.L.

Name of Dept. or Board Date of Meeting

Dracut Housing Authority 3/6/14

TIME: 3:30P.M.

PLACE: 971 Mammoth Road

ROOM NO.: Community Room

FLOOR NO.: B. ☒ 1st ☐ 2nd ☐

To obtain this document in an alternative format
contact William M. Zounes (978) 453-9492. To
request a reasonable accommodation for this event,
please contact William Zounes no later than 14 days
prior to the event.

Joint Meeting with DHA Sub -Housing Committee
and the Housing Sub-Committee of the Dracut Selectmen

Date.....3/04/2014.....

.....Russell Taylor.....
Clerk/Bd. member

REC. BY TOWN CLERK

RECEIVED
TOWN CLERK'S OFFICE

14 MAR -4 AM 11:19

KATHLEEN H. UNAHAM
TOWN CLERK
DRACUT, MA

LOW INCOME HOUSING TAX CREDITS

The Good...

...and the Bad

MONEY	The low income housing tax credit (LIHTC) program provides large amounts of equity for housing projects -- equity doesn't have to be paid back	Tax credit projects have much higher transaction costs (legal, accounting) than 'standard' affordable housing deals
PARTNERS	You will have an experienced housing partner in your investor, one who may have additional funding and/or political connections to tap if needed	LIHTC requires that you have partners. At a minimum, you will have an investor limited partner (for the construction period + 15 years of compliance). They may require you to have additional partners during the development and operations period to support/ sustain guaranties, etc.
STAKEHOLDERS	Even more so than a housing project sponsored with deferred public loans, you have a lot of stakeholders interested in making sure your project is set up to succeed	More stakeholders to work with = more restrictions
PROPERTY MANAGEMENT	The Boston area has strong management agents with a lot of experience managing LIHTC projects	You likely will be required to have a third party management company manage the property
COMPLIANCE/ REPORTING	Most public funding sources require some type of reporting annually (or at least every three years)	You will be required to do annual tenant income certifications (though eligibility requirements are a part of most funding options regardless)
TAX EXEMPTIONS	May be able to structure the partnership so that your construction costs are sales tax exempt	Property will not be eligible for a real estate tax exemption once constructed (can explore an abatement with the town)
CASH FLOW		You likely will have to share most of your available cash flow with the investor limited partner
CAPITALIZED RESERVES	Investors will require healthy reserves to be established for the project, and you should be able to keep some of these reserves at the end of the compliance period	You could be required to set aside more reserves than you would have to for the permanent lender or other funders
PREDICTABILITY	Investors/syndicators usually don't require changes after the construction closing	Despite a lengthy and involved underwriting process, syndicators often change their requirements up until the construction closing -- which can impact the deal on a number of levels
AFFORDABILITY TERMS	Investors typically have shorter affordability term requirements than other funders (DHCD and City of Boston sources sometime require perpetuity or 50 years)	The project will have to remain affordable for 30 years
OWNERSHIP STRUCTURE - 1	After initial set-up, this typical LIHTC structure makes it much easier to track operating costs	Investors will likely require a Condo structure - residential and program/office spaces will have to be separate condo entities
OWNERSHIP STRUCTURE - 2		You will have at least two more legal entities that will require annual filing and some costs
INCOME RESTRICTIONS	Unlike a lot of projects done without tax credits, the project ends up being structured so that it doesn't fail if the operating subsidies go away	Restrictions on maximum and minimum tenant incomes may conflict with mission/program funding source requirements

Women's Institute for Housing and Economic Development
Scenario A -- CPC + Conventional Debt Only (13 units)

Residential Units

13

SOURCE OF FUNDS	Total	Per Elig. Unit
Dracut CPC	3,000,000	230,769
First Mortgage	735,000	56,538
Deferred fee	-	-
Owner Equity	-	-
Grants	-	-
Total Sources	3,735,000	287,308
Surplus/(Gap)	-	-

USES OF FUNDS	Total	Per Elig. Unit	
Subtotal: Acquisition	-	-	
<i>Hard Costs</i>			
Direct construction budget	2,925,000	225,000	
Construc. contingency	219,375	16,875	
Site work - utilities, parking	-	-	Included in direct constr
Demolition	-	-	NA
Subtotal: Construction	3,144,375	241,875	
<i>Soft Costs</i>			
Architect /Engineering	205,496	15,807	7% of direct construction
Survey	25,000	1,923	
Permits	27,500	2,115	
Clerk of the works	20,000	1,538	
Environmental Engineer	17,000	1,308	
Legal - owner's	20,000	1,538	
Legal - zoning	20,000	1,538	
Legal expenses	-	-	
Title and recording	12,000	923	
Accounting & Cost Certification	7,000	538	
Water/sewer hook-up fees	30,000	2,308	
Marketing/Lease-up	2,500	192	
Real estate taxes	-	-	
Insurance	15,000	1,154	
Appraisal	12,000	923	
Carrying costs	-	-	
Construction loan interest	10,550	812	
Construction loan fees	3,675	283	0.5%
Inspecting engineer	9,000	692	Bank's/Town's
Bank fees	7,000	538	
DHCD LIHTC fees	-	-	
Other Financing Fees	7,350	565	1%
Soft cost contingency	26,554	2,043	
Operating reserve	20,000	1,538	
Replacement Reserve	18,000	1,385	
Subtotal: General Development:	515,625	39,663	
Subtotal: Acq, Const & Gen. Dev:	3,660,000	281,538	
Developer Overhead	-	-	
Development Consultant	75,000	5,769	
Developer Fee	-	-	
Total Development Cost	3,735,000	287,308	
Surplus/(Gap)	-	-	

Women's Institute for Housing and Economic Development

Scenario B -- CPC + State Soft Debt (24 units)

Rental Units	# Units
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Residential Units 24

SOURCE OF FUNDS		
LIHTC - 9% credits	-	-
Dracut CPC	3,000,000	125,000
State Funding	2,400,000	100,000
1st Mortgage	1,175,000	48,958
Grants	100,000	4,167
Deferred Fee	345,020	14,376
Total Sources	7,020,020	292,501

USES OF FUNDS	Total	Residential cost/unit
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Subtotal: Acquisition - - Assumes land donated

Hard Costs

Direct construction budget	5,160,000	215,000
Construc. contingency	387,000	16,125
Subtotal: Construction	\$5,547,000	\$231,125

Soft Costs

Architectural & Engineering	361,200	15,050	
Environmental testing	17,000	708	
Survey	25,000	1,042	
Permits	30,000	1,250	
Clerk of the works	35,000	1,458	
Water/sewer hook-up fee	50,000	2,083	
Legal - real estate	75,000	3,125	
Legal -- tax opinion & advice	-	-	
Legal - bank counsel	15,000	625	
Legal - zoning	30,000	1,250	
Title and recording	20,000	833	
Accounting & Cost Certification	6,500	271	
Marketing/Lease-up	12,000	500	
Real estate taxes	-	-	Assumes waiver from town
Insurance	30,000	1,250	
Appraisal & market study	15,000	625	
Construction loan interest	53,438	2,227	4.50%
Construction loan fees	11,875	495	0.50%
Acquis loan, taxes, ins	-	-	
Inspecting engineer	27,000	1,125	
Furniture/appliances/securty	-	-	
Finance Fees	11,750	490	
DHCD LIHTC fees	-	-	
Operating reserve	72,420	3,018	
Deposit to Replacement Reserve	20,000	833	
Predev Interest	-	-	
Soft cost contingency	54,837	2,285	
Subtotal: General Development:	973,020	40,542	

Subtotal: Acq, Const & Gen. Dev: 6,520,020 271,667

Developer O'head 250,000 10,417 includes \$150,000 consulting fee

Developer Fee 250,000 10,417

Total Development Cost 7,020,020 292,501

Surplus/(Gap)

Women's Institute for Housing and Economic Development

Scenario C -- Low Income Housing Tax Credits (45 units)

Rental Units	# Units
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Residential Units 45

SOURCE OF FUNDS	Total	Per Elig. Unit
LIHTC - 9% credits	5,447,552	121,057
Dracut CPA	3,000,000	66,667
State Funding	2,200,000	48,889
1st Mortgage	1,250,000	38,889
Grants/Deferred Fee	325,483	7,233
Total Sources	12,223,034	282,734

USES OF FUNDS	Total	Per Elig. Unit
Subtotal: Acquisition	\$0	\$0

Hard Costs

Direct construction budget	9,000,000	200,000
Construc. contingency	450,000	10,000
Subtotal: Construction	\$9,450,000	\$210,000

Soft Costs

Architectural & Engineering	630,000	14,000	7%
Environmental testing	17,000	378	
Survey	25,000	556	
Permits	30,000	667	
Clerk of the works	75,000	1,667	
Water hook-up fees	60,000	1,333	
Legal - real estate	110,000	2,444	
Legal -- tax opinion & advice	35,000	778	
Legal - zoning	30,000	667	
Legal - lender	25,000	556	
Syndicator Fees	30,000	667	
Title and recording	45,000	1,000	
Accounting & Cost Certification	30,000	667	
Marketing/Lease-up	20,650	459	
Real estate taxes	21,000	467	
Insurance	40,000	889	
Appraisal & market study	15,000	333	
Construction loan interest	172,070	3,824	4.50%
Construction loan fees	44,488	989	0.50%
Inspecting engineer	27,000	600	
Furniture/appliances/secuirty	-	-	
Finance Fees	12,500	278	1.0%
DHCD LIHTC fees	21,790	484	
Operating reserve	129,063	2,868	
Deposit to Replacement Reserve	20,000	444	
Predev Interest	48,000	1,067	
Soft cost contingency	109,473	2,433	
Subtotal: General Development:	1,823,034	40,512	
Subtotal: Acq, Const & Gen. Dev:	11,273,034	250,512	
Developer O'head	475,000	10,556	includes dev consult fee of \$300,000
Developer Fee	475,000	10,556	
Total Development Cost	12,223,034	271,623	

Surplus/(Gap) -

Women's Institute for Housing and Economic Development

Scenario D - Low Income Housing Tax Credits (60 units)

Rental Units	# Units
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Residential Units 60

SOURCE OF FUNDS	Total	Per Elig. Unit
LIHTC - 9% credits	7,263,402	121,057
Dracut CPA	4,000,000	66,667
State Funding	2,700,000	45,000
1st Mortgage	1,750,000	29,167
Grants/Deferred Fee	291,757	4,863
Total Sources	16,005,159	266,753

USES OF FUNDS	Total	Per Elig. Unit
Subtotal: Acquisition	\$0	\$0

Hard Costs

Direct construction budget	12,000,000	200,000
Construc. contingency	600,000	10,000
Subtotal: Construction	\$12,600,000	\$210,000

Soft Costs

Architectural & Engineering	840,000	14,000	7%
Environmental testing	17,000	283	
Survey & Permits	25,000	417	
Permits	30,000	500	
Clerk of the works	75,000	1,250	
Water/sewer hook-up fees	60,000	1,000	
Legal - real estate	110,000	1,833	
Legal -- tax opinion & advice	35,000	583	
Legal - zoning	50,000	833	
Legal - lender	25,000	417	
Syndicator Fees	30,000	500	
Title and recording	45,000	750	
Accounting & Cost Certification	30,000	500	
Marketing/Lease-up	27,562	459	
Real estate taxes	21,000	350	
Insurance	40,000	667	
Appraisal & market study	15,000	250	
Construction loan interest	224,177	3,736	4.50%
Construction loan fees	58,567	976	0.50%
Inspecting engineer	27,000	450	
Furniture/appliances/security	-	-	
Finance Fees	17,500	292	1.0%
DHCD LIHTC fees	29,054	484	
Operating reserve	172,260	2,871	
Deposit to Replacement Reserve	20,000	333	
Predev Interest	48,000	800	
Soft cost contingency	133,041	2,217	
Subtotal: General Development:	2,205,159	36,753	
Subtotal: Acq, Const & Gen. Dev:	14,805,159	246,753	
Developer O'head	600,000	10,000	includes dev consult fee of \$300,000
Developer Fee	600,000	10,000	
Total Development Cost	16,005,159	266,753	

Surplus/(Gap) -

DRACUT HOUSING AUTHORITY - Feasibility Summary

	Scenario A CPC + DEBT ONLY	Scenario B + STATE SOFT FUNDS	Scenario C + TAX CREDITS (midsize)	Scenario D + TAX CREDITS (large)
# of Units	13	24	45	60
# of 1 BDs	9	16	33	37
Rent Levels	991 (\$8)/870	991 (\$8)/870	991 (\$8)/870	991 (\$8)/870
# of 2 BDs	4	8	12	23
Rent levels	1272	1272 (\$8)/1041	1272 (\$8)/1041	1272 (\$8)/1041
# of PBVs (from DHA)	12	12	12	12
Requirement for Extremely Low Income (30% AMI) Units	0	3	5	6
Annual Operating Expenses (per unit)	7130	7500	8130	8130
Real estate taxes	Ownership entity can be tax exempt and so is eligible for RE tax exemption	Ownership entity can be tax exempt and so is eligible for RE tax exemption	Ownership entity cannot be tax exempt so may not be eligible	Ownership entity cannot be tax exempt so may not be eligible
Total Development Cost	3,735,000	7,020,000	12,223,000	16,000,000
Total Dev Cost per unit	287,308	292,500	271,622	266,667
Funding Sources:				
CPC Funds	3,000,000	3,000,000	3,000,000	4,000,000
First Mortgage (6.5%,30 yr)	735,000	1,175,000	1,250,000	1,750,000
Tax Credit Equity	-	-	5,447,000	7,263,400
State Soft Debt	-	2,400,000	2,200,000	2,700,000
Grants	-	100,000	-	-
Fee/Overhead Paid to Developer (net of deferred fee but). Includes dev consult fee	-	150,000	624,000	900,000
Development Process Timeframe	1.5 year from zoning completion to end of construction	3 years from zoning completion to end of construction	4 years from zoning completion to end of construction	4 years from zoning completion to end of construction
Property Management	DHA can manage alone	DHA can manage alone	Third party agent alone, or DHA + third party	Third party agent alone, or DHA + third party