

February 28, 2018

Dear Members of the Newburyport City Council,

The Newburyport Affordable Housing Trust (NAHT) has reviewed the “Ordinance Regarding Management, and Authorizing Lease, or Conveyance by Deed, of the Former G.W. Brown School Property” that seeks to set parameters for the redevelopment of the Brown School, and would like to take this opportunity to share our thoughts.

We are very pleased that the City Council shares the NAHT’s interest in seeing more affordable homes created in Newburyport. As you know, renting and buying a home in our City has increasingly become out of reach for modest-income earners, including many who grew up and/or want to retire in Newburyport.

We appreciate Councilor Eigerman’s proposed Ordinance, and agree that the Brown School offers a wonderful opportunity to add some affordable homes to our housing stock. We respectfully submit the following feedback to some of the issues outlined in the Ordinance:

Encourage Maximum Response to the RFP: The Ordinance specifies that no more than sixty (60) percent of the housing units be affordable units, and limits the number of units to a total of 24 units. We recommend removing these caps, so as to allow as many proposals as possible for the City to consider. For instance, capping the number of units and percentage affordability would negate the opportunity for affordable housing developers to use the Low Income Housing Tax Credit Program (LIHTC), the primary funding source for affordable housing development in Massachusetts. The state allocates the credits through an extremely competitive process that typically requires at least 20 units to be affordable to households with incomes no higher than 60% of the Area Median Income (AMI). Under the Ordinance as currently written, a developer could construct only 14.4 LIHTC eligible units, making it highly unlikely they would receive funding from this program.

Recommendation: *NAHT recommends removing the provisions that cap the number of units at 24 and the percentage of affordability at 60% of the units.* This would allow more proposals to be submitted from which the City can choose.

Futhermore, we feel that the location and the building features are well suited for redevelopment as affordable housing for seniors. As documented in the City’s draft Housing Production Plan (HPP), there is a pressing need for affordable housing in Newburyport, and that the housing needs of lower income seniors are particularly worrisome. The HPP states that households with seniors have less than half the median income of younger cohorts with an estimated median income of \$46,075. The HPP also states that 39% of Newburyport households are single person households aged 65+, and that 24% of these residents have disabilities. The needs of our senior residents are likely to grow as the population of households aged 65+ is projected to increase by 118% by 2035.

Recommendation: *NAHT recommends including in the Ordinance language that states a preference for affordable housing for seniors.*

The redevelopment of the Brown School is a unique opportunity for the City of Newburyport to take action in response to local housing needs. Many residents have expressed support for affordable housing

at the Brown School. The Newburyport Affordable Housing Trust hopes that it will have the chance to review affordable housing proposals for the Brown School and to commit Trust funds that demonstrate support and help offset development costs.

Again, we laud your efforts to increase opportunities for more people to be able to afford a home in Newburyport. We feel strongly that the location and the building are well suited for redevelopment as affordable housing by a developer with a successful track record and the ability to manage the property responsibly over time. We believe that with effective communication, a reuse plan can be designed that is responsive to neighborhood concerns. NAHT would welcome the opportunity to assist with activities related to re-issuing the RFP and reviewing proposals.

Thank you for taking the time to review our comments and recommendation.

Sincerely,

The Trustees of the Newburyport Affordable Housing Trust

The Low Income Housing Tax Credit Program

The primary funding source for the development of affordable rental housing is the Low Income Housing Tax Credit program. The LIHTC was created in 1986, and is an indirect federal subsidy used to finance the construction of low-income affordable rental housing. The LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing. Investors' equity contribution subsidizes low-income housing development, thus allowing units to rent at below-market rates. In return, investors receive tax credits paid in annual allotments, generally over 10 years. Financed projects must meet eligibility requirements for at least 30 years after project completion. In other words, owners must keep the units rent restricted and available to lower-income tenants. At the end of the period, the properties remain under the control of the owner.

Because it depends on investor capital, rather than simply direct government subsidies, the LIHTC has imposed market discipline that results in long term stability for the projects. Investors assume significant risks and assert strict business discipline in selecting projects and overseeing their development and long-term operations. In order to attract investors, a property typically needs to have a minimum of 20 units (most small LIHTC projects have 30 to 40 units), be sponsored by a highly qualified developer, and involve a professional property management company. The investors take asset management seriously and LIHTC properties are inspected regularly to monitor enforcement of occupancy requirements and to ensure a high level of maintenance.

In Massachusetts, the Department of Housing and Community Development (DHCD) is the allocating agency for tax credits through a competitive process outlined in the state's Qualified Allocation Plan (QAP). LIHTC funds are allocated on a per unit basis for housing units that are occupied at the time of initial occupancy by households certified to have an income which does not exceed 60% of the Area Median Income (AMI). LIHTC funded units must be leased at rents which do not exceed those established by HUD as affordable to households with 60% AMI. DHCD's QAP specifies priority categories for funding and the category which would be consistent with a proposal to redevelop the Brown School for senior housing would require that at least 20 percent of the units be restricted to 30% AMI households and that supportive services be available to those residents.

In 2017, the LIHTC income limits and rent limits for Newburyport were as follows:

<u>2017 LIHTC Maximum Allowable Rents</u>			
<u>Studio</u>	<u>1 Bedroom</u>	<u>2 Bedroom</u>	<u>3 Bedroom</u>
\$ 1,086	\$ 1,164	\$ 1,397	\$ 1,613
<u>2017 LIHTC Income Limits for 60% AMI Households</u>			
<u>One Person</u>	<u>Two Person</u>	<u>Three Person</u>	<u>Four Person</u>
\$ 43,440	\$ 49,680	\$ 55,860	\$ 62,040
<u>2017 30% AMI Income Limits</u>			
<u>One Person</u>	<u>Two Person</u>	<u>Three Person</u>	<u>Four Person</u>
\$ 21,700	\$ 24,800	\$ 27,900	\$ 31,000

