

Preservation of St. Stephen's Tower Apartments Resident Disclosure, Policy Statement, and Agreement

The primary purpose of this document is to assure that every resident of St. Stephen's Tower Apartments has sufficient information regarding the plans for the property in which they reside, as well as the ability to maintain the continued affordability of that property, so that they might make an informed decision regarding his/her subsidy going forward.

This document also memorializes commitments of the Cambridge Housing Authority (CHA) and St Stephen's Preservation Limited Partnership through its general partner, St. Stephen's GP LLC. Please note that subsidies, resident choices, and commitments outlined below are applicable only if St. Stephen's Preservation Limited Partnership, or its designee, is able to obtain Enhanced Vouchers (EVs) from the U.S. Department of Housing and Urban Development (HUD) for the residents of St Stephens Tower.

A. BACKGROUND

St. Stephen Tower is a 130-unit apartment building located in the Lynn, MA. The development has ten (10) studios units, 110 one (1) bedroom units and ten two (2) bedroom units. Currently, the property is financed with a Section 236 mortgage. Fifty-two (52) apartments have rental subsidies through the Rental Assistance Payment ("RAP") program that make the rents affordable to persons with low income. The expiration date of the RAP contract is March 1, 2017.

Currently, the rents for the property are set at \$544 for a Studio, \$697 for a One Bedroom and \$831 for a Two Bedroom.

St. Stephen's Housing Associates, the current owner, is seeking a way to preserve St. Stephen's Apartments as affordable housing for the long-term. St. Stephen's Associates intends to prepay the Section 236 mortgage in order to obtain Enhanced Vouchers ("EVs") for all income-eligible households. Residents will have the option of keeping the EV or electing to project-base the EV. MassHousing holds the Section 236 first mortgage that is scheduled to fully amortize (that is, be paid in full) on March 1, 2017. St. Stephen's also receives Interest Reduction Payments ("IRP") related to that mortgage. MassHousing has given consent for St. Stephen's Housing Associates to prepay the Section 236 mortgage on or about November 24, 2014. The prepayment of the Section 236 mortgage will result in the termination of the related Regulatory Agreement with MassHousing that restricts rents and the Rental Assistance Payments ("RAP") Contract entered into between St. Stephen's Housing Associates and the U.S. Department of Housing and Urban Development ("HUD"), which subsidizes the rent for fifty-two (52) units so long as the household is eligible. . Stephen's Preservation Limited Partnership will enter into a Use Agreement which will require, until March 1, 2017, that (a) the owner shall not rent any unit to any New Tenant whose annual income exceeds eighty percent (80%) of the Area Median Income; (b) for those units occupied by a Current Tenant, and the unit or tenant is assisted by Section 8, rent increases shall be processed and determined in accordance with the Section 8 requirements (and notwithstanding the foregoing, the owner has agreed to bear the loss of income that results from the owner's agreement that annual rent increases for Current Tenants will be capped at 5.1% per year over the prior year's rent for a five-year period); (c) for those units occupied by a Current Tenant, and the unit or the resident is not assisted by Section 8, the owner agrees that annual

rent increases will be capped at 5.1% per year over the prior year's rent for a five-year period; (d) for those units to be occupied by a New Tenant, and the unit or the resident is assisted by Section 8, rent increases shall be processed and determined in accordance with the Section 8 requirements; and (e) for those units to be occupied by a New Tenant, and the unit or the resident is not assisted by Section 8, the owner may charge a rent for the unit type that does not exceed 30% of 80% of Area Median Income.

Upon the prepayment of the Section 236 Mortgage, income-eligible residents in the property will be offered a special allocation of vouchers known as Enhanced Vouchers ("EVs"). As discussed during resident meetings held in 2013 and 2014, each household will have the option of converting its EV to a Project Based Voucher. Converting a significant number of EVs to PBVs would allow the owner to refinance the property, renovate the property with the assistance of the Low Income Housing Tax Credit program and preserve the affordability of the property.

The following sections are intended to ensure that residents have the information necessary to make a fully informed decision about whether to provide that consent.

B. VOUCHERS

For residents, the two main differences between Enhanced Vouchers ("EVs") and Project-Based Vouchers ("PBVs") are:

- The formula for determining the tenant's portion of the rent; and
- the ability to move immediately with rental assistance.

1. ENHANCED VOUCHERS (EVs)

a. Description

The maximum rent that an EV can pay is typically capped at the market rent per unit size for the area. Because the rents at St. Stephen's will be rising to \$1245 for a Studio, \$1435 for a One Bedroom and \$1675 for a Two Bedroom, residents who accept the EV will have to pay the greater of their current rent or 30% of their adjusted gross income for rent, whichever is higher.

b. Mobility

The resident may use the EV to rent another apartment wherever he/she chooses so long as it passes inspection and the rent is reasonable. The tenant pays 30% of income if the rent does not exceed the payment standard for the City or Town where the resident is planning to move. Currently in Lynn, the payment standard for a one bedroom apartment with all utilities included is \$1,315. The tenant's share of rent may rise to 40% or more of adjusted monthly income if the rent charged by the landlord exceeds the payment standard.

As current St. Stephen's residents move on, the EV is lost to St. Stephen's and the next tenant will have to pay the full rent regardless of their income.

c. Rent For Residents That Remain At The Property

Rents at St. Stephen's Tower will be rising to \$1245 for a Studio, \$1435 for a One Bedroom and \$1675 for a Two Bedroom and residents who accept the EV will have to pay the greater of their current rent or 30% of their adjusted gross income, whichever is higher. However, there is a minimum amount which the resident must pay regardless of any future change in income. In general, the tenant must pay the same total dollar amount for rent, plus utility allowance, as the amount required on the date of mortgage prepayment. This will generally be higher than the CHA's minimum rent for its other voucher programs.

2. PROJECT-BASED VOUCHERS (PBVs)

a. Description

PBVs are Section 8 vouchers that are assigned to specific apartments, rather than to specific families. In order to attach these vouchers to the property, the owner and the CHA must enter into a contract of at least fifteen years. During this time, the property is guaranteed to remain affordable. As long as a resident remains in that apartment, he/she will receive the benefits of the voucher.

b. Mobility

The resident living in an apartment with a PBV does not have the ability to move immediately with the benefit of rental assistance. Since the voucher is attached to the apartment and not to the family, any request by the family to move with rental assistance means that the CHA must issue a new voucher to the family while also maintaining the PBV for the next household that will occupy the unit. Because there is a limited supply of vouchers, the CHA must wait for a voucher to become available before it can issue a tenant-based voucher to the family.

After one year, residents of St. Stephen's that have converted to a PBV can request and obtain a tenant-based voucher if one is available. If none are available, the resident will get a priority for the next available tenant-based voucher. The resident's name will be placed on the CHA's wait list (which is organized chronologically by date of request) and a tenant-based voucher will be issued when one becomes available (and before any such vouchers are offered to regular HCV applicants on the CHA's waiting list).

c. Rent for Residents That Remain At The Property

Those residents staying at St. Stephen's with a PBV will pay only 30% of adjusted income for rent and utilities. If the family experiences a change of income, they may report it and their portion of the rent is adjusted up or down but continues to be based on 30% of their income (minus the CHA utility allowance for tenant paid utilities). Although the Project-Based Vouchers will be part of the Cambridge

Housing Authority's Moving to Work (MTW) program, the CHA will use the federal regulations for the project-based Section 8 voucher program (currently found at 24 CFR 5.601 – 5.634) and \$50 as the 'minimum rent' required (for rent plus utility allowance). In addition, for mixed immigrant families, the CHA will use, as a total tenant payment, 30% of adjusted monthly income plus 10%. The CHA will use its own utility allowance schedule for tenant paid utilities, rather than the MassHousing schedule previously used.

d. Rent for Resident That Choose To Move

When a resident in a Project-Based apartment requests and obtains a Tenant-Based Voucher (which may involve a wait, as described above), the Tenant-Based Voucher is subject to the CHA's MTW and Rent Simplification rules. A summary of the Rent Simplification rules can be found in Attachment C.

e. Miscellaneous Provisions

St. Stephen's Preservation Limited Partnership will not permanently displace any current resident of St. Stephen's except for good cause related to tenant fault.

For current residents of St. Stephen's who elect either an EV or a PBV, the CHA will screen (and may deny) said residents only for income eligibility, immigration eligibility, student status, and the federally mandated reasons found at 24 CFR 982.552(b) and 982.55.3

C. REHABILITATION

1. Repairs

St. Stephen's Preservation Limited Partnership has applied and received Low Income Housing Tax Credits (LIHTC). The LIHTC program will allow for the renovation/rehabilitation of St. Stephen's. The scope of the work includes the following:

- Improvements to building façade
- New windows and blinds
- Upgraded building access and security systems
- New power assist doors throughout the building
- New flooring, lighting and painting in all corridors
- New common spaces on the lower level including fitness center, Connected Living room and new community room
- New boilers and repairs to building ventilation systems

- Repairs to sidewalks
- Landscaping improvements
- New site lighting
- New kitchen cabinets, sink, countertop, light and appliances
- New bathroom vanity, sink, toilet, faucets, showerhead, mirror, lighting and towel bars
- New flooring and pain in kitchens and bathrooms

D. FUTURE TENANT SELECTION

St. Stephen's Preservation Limited Partnership will continue to maintain a waiting list for St. Stephen's based on date of application, preferences, emergency criteria or other regulated/required/applicable criteria. Due to an Agreement between CHA and Lynn Housing Authority (LHA), Lynn Housing Authority will oversee new move-ins to the PBV units. When a vacancy is anticipated in a PBV unit at St. Stephen's, the Property Manager notifies the Lynn Housing Authority's Leased Housing Department and then the Property Manager screens such applicants in accordance with its Tenant Selection Plan.

Future applicants will go to the Lynn Housing Authority offices to be income-certified and/or receive a final determination of eligibility.

E. PROCESS AND RESPONSIBILITIES

Below is a summary of the process that will be followed by CHA and the current owner:

1. On or around December 12, 2014, St. Stephen's Preservation Limited Partnership will purchase St. Stephen's Apartments and begin the renovations outlined above.
2. As a result of the Section 236 mortgage being pre-paid HUD has set aside funding for the issuance of Enhanced Vouchers for all eligible households. To be eligible for an Enhanced Voucher, annual family income must be at or below 80% of area median income ("AMI"). The income limits can be found in Attachment B.
3. A representative from the CHA will come to the property to meet with each family to determine income eligibility for receipt of Enhanced Voucher or Project-Based Voucher. To be eligible to participate in either program, annual family income must be at or below 80% of AMI. As noted in Attachment B, the maximum income for a one-person household at St. Stephen's is currently \$47,450; for a two-person household it is \$54,200.
4. St. Stephen's Preservation Limited Partnership and the CHA will enter into a fifteen-year Housing Assistance Payments (HAP) Contract for a specified number of apartments in the property.

5. To assure the viability and continued affordability of St. Stephen's Apartments, CHA has pledged a reserve of back-up vouchers. The exact number of back-up vouchers needed in reserve will be established at execution of the HAP contract and will be set to ensure that the sum of project-based and back-up vouchers equals 130.

An example of how the reserve is established and used can be found in Attachment C.

7. St. Stephen's Preservation Limited Partnership, as a condition of the HAP contract, will keep the property affordable for the duration of the contract, with a commitment to renew on comparable terms, if such a HAP contract is offered, with the goal of keeping the property affordable for at least thirty years. The CHA will offer three five year renewals of the HAP contract on comparable terms provided that St. Stephen's Preservation Limited Partnership is in compliance with the contract, subject to continuation of its Moving to Work authority (or alternative authority) and availability of funding from HUD.


SO AGREED:

St. Stephen's Preservation Limited Partnership
By: St. Stephen's GP LLC, its General Partner
By: Beacon Communities Corp., Managing Member

Cambridge Housing Authority
362 Green Street
Cambridge, MA 02139



Pamela Goodman, President



~~Gregory Russ, Executive Director~~
Michael Johnston, Deputy ED
12/9/2014

Date

12-8-14

Date

Attachment A

RENT SIMPLIFICATION POLICY OVERVIEW Moving to Work ("MTW") Housing Choice Vouchers ("HCV")

INCOME DETERMINATION

Assets:

CHA excludes income from assets worth less than \$50,000.

Income:

Prospective and past income can be used to calculate income for the purpose of rent determination.

RENT DETERMINATION

Annual Income:

All income, monetary or otherwise, which is paid to or on behalf of the head of household, they spouse of the head of household (even if temporarily absent), or any other household member. Also those sources of income that household members anticipate receiving during the 24-month period following admission.

Adjusted Income:

The income upon which income-based rent is based, means Annual Income less the allowable childcare or medical deductions.

Rent is calculated at 30% of adjusted income.

Minimum Rent:

The minimum rent any household may pay before adjustment for utilities is \$50.00 month. Households paying minimum rent are referred to social service providers for benefit counseling.

ZERO INCOME HOUSEHOLDS

Households claiming zero income pay zero rent for 90 days. Households claiming zero income after 90 days are required to provide a certification of zero income and a family budget form; such households will also be required to pay a minimum rent of \$50.

Utility Assistance Payments (UAPs) are not paid to families claiming zero income.

RECERTIFICATIONS:

Annual / Biennial Recertifications:

Household income and rent are recertified annually for non-elderly or –disabled households. Elderly and/or disabled household are recertified biennially (every two years).

Interim Recertifications:

Households experiencing significant reductions in income or increases in eligible expenses (e.g., childcare or medical care) may have an Interim Recertification to temporarily reduce their rent. Households paying rents based on Interim Recertifications must report any change in the circumstances that required the rent decrease within thirty days of occurrence. Their rents will be readjusted accordingly.

Permitted Interims:

Family households are limited to one Interim Recertification between regularly scheduled Annual Recertifications.

There is no limit on the number of times that an elderly or disabled household may request an Interim Recertification between regularly scheduled Annual Recertifications.

HARDSHIP WAIVERS

Eligibility:

Households experiencing significant, unexpected, and long-term (expected to last more than 30 days) reductions in income or increases in eligible expenses may apply for and receive Hardship Waivers.

Criteria:

Households paying more than 50% of adjusted income towards rent and utilities.

Hardship Applications are reviewed by CHA's Hardship Committee. If a Hardship waiver is granted, it will count as an interim recertification.

Family households may apply for Hardship Waivers, even if they have used the one Interim Recertification permitted between Annual Recertifications.

Please note: The mortgages and other financing that is in place or may be put in place for the upgrades of St. Stephen's may require their own certification that may calculate your income differently. Such certifications do not calculate your portion of the rent.

Attachment B
2014 HUD Income Limits for City of Lynn

Household Size	80% Area Median Income (AMI)
1 person	\$47,450
2 persons	\$54,200

Attachment C
BACK-UP VOUCHERS

To illustrate how the reserve pool of back-up voucher is intended to work, let's assume that of the 130 households living at St. Stephen's Apartments, 1 is determined to be over-income for receipt of either an enhanced voucher or a project-based voucher, leaving 129 households that are eligible for PBVs as follows:

Total households	130
Not eligible for PBV	-1
Total units eligible for project-basing	129

Of the remaining 129, let us assume that 120 have signed binding commitments to participate in the Project-based Voucher program, while 9 have declined to convert to PBV.

Eligible families	129
Families opting for TPV/declining to convert	-9
Families opting to convert to PBV	120

In this example, St. Stephen's Preservation Limited Partnership can obtain only 120 PBVs and is 10 (1 + 9) vouchers short of its goal of project-basing all 130 units. CHA will establish a reserve of 10 back-up vouchers that would permit St. Stephen's Preservation Limited Partnership to obtain PBVs for these units as they turn over and are occupied by new eligible households. Under these circumstances, the HAP contract for Stephens would be for 130 units with 10 of those vouchers designated as back-up that can be activated over the life of the contract.

Attachment D – Rent Phase In Policy

St. Stephen Preservation Limited Partnership appreciates all of the residents who reside at St. Stephen's Apartments. This Rent Increase Policy was created to prevent our residents from experiencing a financial hardship as a result pre-payment of the Section 236 Mortgage and the introduction of new housing programs, namely the Enhanced Voucher ("EV") and Project Based Voucher Program. Please note, this policy applies only to residents living at St. Stephen's as of the date the Section 236 mortgage is pre-paid (the "closing"). The pre-payment is expected to take place on or around December 11, 2014. Any household that moves in after the prepayment of the Section 236 mortgage is not protected by this rent increase phase in policy.

1. At the closing, the rents at St. Stephen's will be as follows:

Studio Rent	\$1245
One Bedroom Rent:	\$1435
Two Bedroom Rent:	\$1675

2. Any current household that receives an EV or a PBV and experiences more than a 5% increase to 30% of adjusted gross income for rent will have their rent capped at 5.1% above what they were paying for rent prior to the closing. This policy will continue at lease renewal for five years (2014, 2015, 2016, 2017, 2018). In January 2019, if the resident isn't already paying 30% of adjusted gross income per rent, the resident's portion of the rent will be increased to 30% of adjusted gross income.
3. Any current household that applies for an EV and is determined over-income for the EV will be limited to a 5.1% annual rent increase above the prior year's rent. These increases will be capped at 5.1% for the first five years (2014, 2015, 2016, 2017 and 2018), with the rent increasing to the then current EV/PBV rent in Year 6 (2019).