

Preservation of Chauncy House Apartments

Resident Disclosure, Policy Statement, and Agreement

The primary purpose of this document is to assure that every resident of Chauncy House 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 Chauncy House Limited Partnership through its general partner, Chauncy House, Inc. Please note that subsidies, resident choices, and commitments outlined below are applicable only if Chauncy House 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 Chauncy House Apartments.

A. BACKGROUND

Chauncy House Apartments is an 88-unit apartment building located in Boston, MA. The development has twenty-two (22) studios units and sixty-six (66) one (1) bedroom units. Currently, the property is financed with a Section 236 mortgage. Thirty-four (34) apartments have rental subsidies through a Housing Assistance Payments Contract ("HAP") that make the rents affordable to persons with low income. The expiration date of the HAP contract is August 31, 2015. The remaining fifty-three (53) units do not receive rental subsidy under a HAP Contract. One unit is occupied by the resident supervisor. This Agreement sets forth the understanding of the parties with respect to the units that do not currently receive rental subsidy under a HAP Contract.

Effective March 15, HUD approved rents for the currently unsubsidized units are \$1,146 for a studio and \$1,280 for a one-bedroom unit.

Chauncy House Limited Partnership, the current owner, is seeking a way to preserve Chauncy House Apartments as affordable housing for the long-term. Chauncy House Limited Partnership intends to prepay the Section 236 mortgage in order to obtain Enhanced Vouchers ("EVs") for all income-eligible households not already receiving rental subsidies under the HAP Contract. Residents will have the option of keeping the EV or electing to project-base the EV. Heartland Bank holds the Section 236 first mortgage that is going to be prepaid in full on or about March 31, 2015. Heartland Bank has given consent for Chauncy House Limited Partnership to prepay the Section 236 mortgage.

Upon the prepayment of the Section 236 Mortgage, income-eligible residents in the property who are not already receiving rental subsidies under the HAP Contract will be offered a special allocation of vouchers known as Enhanced Vouchers ("EVs"). As discussed during resident meetings held in April and May of 2015, 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 Chauncy House Apartments will be rising to \$1,146 for a Studio and \$1,280 for a One 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 Boston, 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 Chauncy House Apartments residents move on, the EV is lost to Chauncy House Apartments 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 Chauncy House Apartments will be rising to \$1,146 for a Studio and \$1,280 for a One 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 Chauncy House Apartments 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 Chauncy House Apartments 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 the approved Boston Housing Authority utility allowance schedule for tenant paid utilities, rather than the 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

Chauncy House Limited Partnership will not permanently displace any current resident of Chauncy House Apartments except for good cause related to tenant fault.

For current residents of Chauncy House Apartments 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

Chauncy House Limited Partnership has applied and will receive Low Income Housing Tax Credits (LIHTC). The LIHTC program will allow for the renovation/rehabilitation of Chauncy House Apartments. 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 a new community room
- New boilers and repairs to building ventilation systems
- Repairs to sidewalks
- 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 finishes in kitchens and bathrooms

D. FUTURE TENANT SELECTION

Chauncy House Limited Partnership will continue to maintain a waiting list for Chauncy House based on date of application, preferences, emergency criteria or other regulated/required/applicable criteria. When a vacancy is anticipated in a Project-Based Voucher unit at Chauncy House, the owner or manager notifies the CHA's Leased Housing Department and the owner or its manager will then screen the applicant in accordance with its approved Tenant Selection Plan and will forward the completed file to CHA for final certification.

E. PROCESS AND RESPONSIBILITIES

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

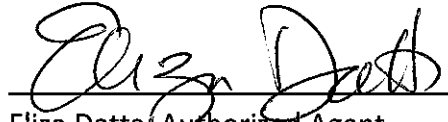
1. On or around March 31, 2015, Chauncy House Limited Partnership will prepay the Section 236 Mortgage for Chauncy House Apartments.
2. As a result of the Section 236 mortgage being pre-paid HUD has set aside funding for the issuance of Enhanced Vouchers for all eligible households. To be eligible for an Enhanced Voucher, annual family income must be at or below 95% 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 the program specific maximum incomes found in Attachment B.
4. Chauncy House 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 Chauncy House 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 53.

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

7. On or around June 30, 2015, New Chauncy House Limited Partnership will purchase Chauncy House Apartments and begin the renovations outlined above.
8. New Chauncy House 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 Chauncy House 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:

Chauncy House Limited Partnership
By: Chauncy House, Inc., its General Partner

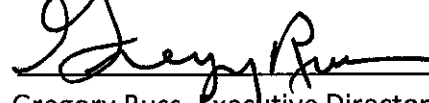


Eliza Datta, Authorized Agent

Apr 3, 2015

Date

Cambridge Housing Authority
362 Green Street
Cambridge, MA 02139



Gregory Russ, Executive Director

4/7/2015

Date

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 are in place or may be put in place for the upgrades of the Chauncy House 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 Boston

Household Size	80% Area Median Income (AMI)	95% Area Median Income (AMI)
1 person	\$48,800	\$62,600
2 persons	\$55,800	\$71,500
3 persons	\$62,750	\$80,450

**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 53 households not receiving rental subsidies under the HAP Contract living at Chauncy House Apartments, 1 is determined to be over-income for receipt of either an enhanced voucher or a project-based voucher, leaving 52 households that are eligible for PBVs as follows:

Total households	53
Not eligible for PBV	-1
Total units eligible for project-basing	52

Of the remaining 52, let us assume that 44 have signed binding commitments to participate in the Project-based Voucher program, while 8 have declined to convert to PBV.

Eligible families	52
Families opting for TPV/declining to convert	-8
Families opting to convert to PBV	44

In this example, Chauncy House Limited Partnership can obtain only 43 PBVs and is 9 (1 + 8) vouchers short of its goal of project-basing all 53 units. CHA will establish a reserve of 9 back-up vouchers that would permit Chauncy House 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 Chauncy House Apartments would be for 53 units with 9 of those vouchers designated as back-up that can be activated over the life of the contract.

Attachment D – Rent Phase In Policy

Chauncy House Limited Partnership appreciates all of the residents who reside at Chauncy House Apartments. This Rent Increase Policy is intended 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 Chauncy House Apartments as of the date the Section 236 mortgage is pre-paid (the “closing”). The pre-payment will take on or around March 31, 2015. Any household that moves in after the prepayment of the Section 236 mortgage is not protected by this rent increase phase in policy.

1. Effective March 15, 2015, HUD has approved the following rents at Chauncy House Apartments:

Studio Rent	\$1,146
One Bedroom Rent:	\$1,280

2. The current Owner and the partnership that has agreed to purchase Chauncy House both agree that those current tenants who were paying Section 236 rents will not be asked to pay any such additional rent beyond the currently applicable Section 236 rent, together with any rent increase provisions permissible pursuant to the Section 236 program during the relevant period, for for the period from pre-payment until September 10, 2016. If any other housing subsidy program applies to such tenants during the relevant period, the tenants will pay the lowest applicable rent.