

Preservation of Smith House

Resident Disclosure, Policy Statement, and Agreement

The primary purpose of this document is to assure that every resident of Smith House 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 Smith House II Limited Partnership through its general partner, Smith II, Inc. (MPDC). Please note that subsidies, resident choices, and commitments outlined below are applicable only if MPDC, or its designee, is able to obtain Tenant Protection Vouchers (TPVs) from the U.S. Department of Housing and Urban Development (HUD) for the residents of Smith House.

A. BACKGROUND

Smith House is a 132-unit apartment building located in the Lower Roxbury section of the South End. All apartments in this elevated property are one-bedroom units.

All of the apartments have rental subsidies through the Rent Supplement ("RS") program that make the rents affordable to persons with low income. The RS contract will expire on March 1, 2014.

Currently, the rent for the property is set at \$992/month. That rent is extremely affordable given that a recent (April 2013) rent study of a nearby property reports a market rent of \$2,411 for a one-bedroom unit.

It is a safe bet that you, and most likely your neighbors, would be unable to reside in this property if the rents even approached these market rent levels.

With this in mind, MPDC, the current owner, is seeking a way to preserve Smith House as affordable housing for the long-term. MPDC intends to prepay the mortgage in order to obtain Tenant Protection Vouchers ("TPVs") for all income-eligible households. With the consent of recipient households, MPDC intends to convert the TPVs to Project-Based Vouchers to take the place of the existing Rent Supplement contract. This strategy will enable MPDC to structure a refinance of the property in the near future and secure the permanent affordability of the units.

MassHousing holds the first priority mortgage that is scheduled to fully amortize (that is, be paid in full) on March 1, 2014. However, MassHousing has given consent for MPDC to prepay the mortgage on or about November 15, 2013. The prepayment of the mortgage will result in the termination of the related Regulatory Agreement with MassHousing that restricts rents and the Rent Supplement ("RS") Contract entered into between the MPDC and the U.S. Department of Housing and Urban Development ("HUD"), which subsidizes the rent for all units so long as the household is eligible. As noted above, the RS contract will expire on March 1, 2014.

Upon the prepayment of the MassHousing loan, income-eligible residents in the property will be offered a special allocation of vouchers known as Tenant Protection Vouchers ("TPV"). Converting those TPVs to PBVs would take the place of the RS contract and enable MPDC to refinance the property, undertake upgrades in the near future, and permanently maintain the affordability of the units.

In order to move forward and commit to the refinance of Smith House, MPDC is seeking a binding commitment from almost every income-eligible resident that states that he/she agrees to allow the CHA to tie this subsidy to his/her apartment as a Project-Based Voucher, instead of receiving a tenant-based Tenant Protection Voucher.

Without this level of commitment, MPDC will be unable to refinance and preserve the property. While each current resident may be protected in the short-term by the Tenant Protection Vouchers, there would be no guarantee that the property will remain affordable in the long run, for either current or future tenants. Conversion of the Tenant Protection Vouchers to Project-Based Vouchers would, however, provide a way to preserve the affordability of property for the long-term. But this preservation can only occur if residents consent to the conversion of the TPV to a PBV.

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 Tenant Protection Vouchers ("TPVs") and Project-Based Vouchers ("PBVs") are:

- the ability to move immediately with rental assistance; and
- the maximum rent that HUD will pay to the owner which may result in a increase in the tenant share.

1. TENANT PROTECTION VOUCHERS (TPVs)

a. Description

The maximum rent that a TPV can pay is capped at the Fair Market Rent ('FMR') established by HUD for that unit type in the metropolitan area. For a one-bedroom rent in the Boston area the rent is capped at \$1,156/month. Because the rents at Smith House will be rising to \$1,387/month, residents who accept the TPV will have to pay the difference between \$1,156 and \$1,387, or \$231/month, in addition to 30% of income.

b. Mobility

The resident may use the TPV 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 Fair Market Rent, which is adjusted annually and today is \$1,156. The tenant's share of rent may rise to 40% or more of adjusted monthly income if the rent charged by the landlord exceeds FMR.

As current Smith House residents move on, the TPV is lost to Smith House and the next tenant will have to pay the full rent regardless of their income.

a. Rent for Stayers

Because the rents at Smith House will be rising to \$1,387/month, residents who accept the TPV will have to pay the difference between \$1,156 and \$1,387, or \$231/month, in addition to 30% of income. To ensure that households that elect to keep the TPV have time to relocate, MPDC has pledged to subsidize the difference between the rent share that household pays currently and the new rent for one year. Rent share will rise by 3% of adjusted monthly income in each subsequent year until the household is paying the full differential between the approved rent and the FMR.

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 Project-Based Voucher 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 Project-Based Voucher 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.

To improve the options for mobility of Smith House residents who convert their Tenant Protection Vouchers to Project-Based Vouchers, the CHA has agreed to allow Smith House residents to move, after one year, with 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 applicants on the CHA's other waiting lists).

c. Rent for Stayers

Those residents staying at Smith House with a Project-Based Voucher 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 Movers

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

MPDC will not permanently displace any current resident of Smith House except for good cause related to tenant fault.

For current residents of Smith House who elect either a Tenant Protection Voucher or a Project-Based Voucher, 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

MPDC has also pledged to upgrade the Smith House once the rental subsidies are in place. The exact scope of work is dependent on the number of households that agree to convert to project-based assistance, interest rates and contractor pricing.

This scope of work will be determined shortly after MPDC receives a project-based HAP contract and before refinancing the property. Construction will commence shortly after that and will last about a year. MPDC and its property manager will be responsible for coordination of construction around current occupants, including appropriate notice, security, and temporary relocation of residents where necessary to perform more extensive work. MPDC shall use its best efforts to accommodate residents in scheduling work and in minimizing disruption (e.g., water and electricity shut-offs, noise). Certain work may require the resident to temporarily relocate or be out of the unit for the day. Appropriate accommodations will be provided.

There may be units at Smith House that require such extensive renovations that they would need to be vacant while the work is being performed. If so, the CHA will continue to pay subsidy for those units and residents would continue to pay their share of rent. MPDC will cover the rent for the temporary apartment and all relocation expenses for moves from and back to Smith House.

2. Handicapped Accessibility

MPDC plans may include converting 6 or 7 apartments into handicapped-accessible units. This may involve relocation of residents (elsewhere in the property, or to other MPDC-owned or -controlled properties) for a period of about 2-4 months.

A current resident, who does not require the features of an accessible unit, may be relocated so that their unit can be made accessible. If after renovation there is not another household at Smith House in need of the accessible features of that unit, the original occupant would return to the renovated unit and be required to sign a rider to their lease acknowledging that they agree to move to a non-accessible unit should an existing resident or a new household being admitted to Smith House need it. Any household required to vacate an accessible unit for this purpose would have the option to relocate to their original floor as soon as a vacancy arises in a non-accessible unit on that floor.

All affected residents will be notified and given a relocation agreement which comports with applicable federal relocation laws and this Agreement.

D. FUTURE TENANT SELECTION

MPDC will continue to maintain a waiting list for Smith 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 Smith House, the owner or manager notifies the CHA's Leased Housing Department and MPDC or its manager then screens such applicants in accordance with its Tenant Selection Plan.

Future applicants will go to the CHA offices to be income-certified and or a final determination of eligibility.

E. PROCESS AND RESPONSIBILITIES

If MPDC or its assignee refinances Smith House, then MPDC, any assignee, and the CHA agree to comply with provisions stated above. If at least 90% of the residents of Smith House agree to the conversion from Tenant Protection Vouchers to Project-Based Vouchers, on the provisions specified above, then:

1. MPDC will move forward with its plans to refinance the property by the end of 2013 or early 2014.
2. MPDC will pay off the current financing which in turn will trigger HUD to set aside funding for the issuance of Tenant Protection Vouchers for all eligible households. To be eligible for a Tenant Protection 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 Tenant Protection Voucher or Project-Based Voucher¹. 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 Smith House is currently \$52,880; for a two-person household it is \$60,480.
4. Once each family has been income certified the CHA will apply to HUD for sufficient funding to provide voucher funding on behalf of each income eligible family.

¹ Going forward, in most cases, CHA will come to the property to meet with families for required biennial certifications.

5. MPDC and the CHA will enter into a fifteen-year Housing Assistance Payments (HAP) Contract for a specified number of apartments in the property. While MPDC needs the number of units to be as close to 132 as possible, there are several factors that will affect the final number achieved. They include:
- Number of current residents who are not income-eligible for either the tenant protection voucher or the project-based voucher.
 - Number of current residents that elect to keep the tenant protection voucher and not participate in the project-based voucher program.
6. To assure the viability and continued affordability of Smith House, CHA has pledged a reserve of back-up vouchers to offset any shortfall from the above as long as 80% of the residents of Smith House agree to the conversion from Tenant Protection Vouchers to Project-Based 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 132.


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

7. MPDC, 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 in perpetuity. The CHA will offer three five year renewals of the HAP contract on comparable terms provided that MPDC 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 AGED:

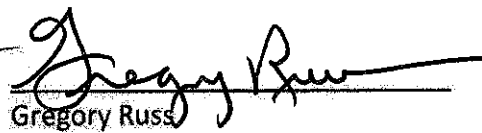
SMITH HOUSE II LIMITED PARTNERSHIP

By: Smith II, Inc.


Russell Tanner
Assistant Treasurer, Smith II, Inc.
c/o Madison Park Development Corporation
184 Dudley Street
Roxbury, MA 02119

Date

10/18/13


Gregory Russ
Executive Director
Cambridge Housing Authority
362 Green Street
Cambridge, MA 02139

Date

10-18-13

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, the 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 are in place or may be put in place for the upgrades of the Smith House may require their own certification that may calculate your income differently. Such certifications do not calculate your portion of the rent.

Attachment B
2013 HUD Income Limits for City of Boston (as of 12/1/12)

Household Size	80% Area Median Income (AMI)
1 person	\$52,880
2 persons	\$60,480

**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 132 households living at Smith House, 2 are determined to be over-income for receipt of either the tenant protection vouchers or the project-based vouchers, leaving 130 households that are eligible for PBVs as follows:

Total households	132
Not eligible for PBV	-2
Total units eligible for project-basing	130

Of the remaining 130, let us assume that 118 have signed binding commitments to participate in the Project-based Voucher program, while 12 have declined to convert to PBV.

Eligible families	130
Families opting for TPV/declining to convert	-12
Families opting to convert to PBV	118

In this example, MPDC can obtain only 118 PBVs and is 14 (2 + 12) vouchers short of its goal of project-basing all 132 units. CHA will establish a reserve pool of PBVs that would permit MPDC to obtain PBVs for these units as they turn over and are occupied by new eligible households. Under these circumstances, the HAP contract for Smith House would be for 132 units with 14 of those vouchers designated as back-up that can activated over the life of the contract.