

Preservation of Cleaves Court Apartments

Resident Disclosure, Policy Statement, and Agreement

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

A. BACKGROUND

Cleaves Court Apartments is a 36-unit apartment building located in Roxbury, MA. The development has eight (8) one bedroom units, 20 two (2) bedroom units and eight (8) three bedroom units. Currently, the property is financed with a Section 236 mortgage and a HUD Flexible Subsidy note.

Currently, the rents for the property are set at \$926 for a One Bedroom, \$999 - \$1,071 for a Two Bedroom and \$1,098 for a Three Bedroom.

Urban Edge Housing Corp, the project sponsor, and Northwest Cleaves Limited Partnership, the current owner, is seeking a way to preserve Cleaves Court Apartments as affordable housing for the long-term. Northwest Cleaves LP 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, 2016. Cleaves Court also has a Flexible Subsidy Mortgage related to that mortgage. HUD has given permission to defer payment of the Flexible Subsidy note, and need not provide consent for Cleaves Court to prepay the Section 236 mortgage. MassHousing has given consent for Cleaves Court Housing Inc. to prepay the Section 236 mortgage on or about May 1, 2015. Northwest Cleaves Limited Partnership will enter into a Use Agreement which will require, until May 1, 2016, 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 2014 and 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 Cleaves Court will be rising to \$ 1,381 for a One Bedroom and \$1,721 for a Two Bedroom, and \$2,140 for a Three 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 Roxbury, 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 Cleaves Court residents move on, the EV is lost Cleaves Court 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 Cleaves Court will be rising to \$1,381 for a One Bedroom, \$1,721 for a Two Bedroom and \$2,140 for a Three 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 Cleaves Court 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 Cleaves Court 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 Boston Housing Authority approved 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

Northwest Cleaves Limited Partnership will not permanently displace any current resident of Cleaves Court except for good cause related to tenant fault.

For current residents of Cleaves Court 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

Northwest Cleaves Limited Partnership has applied and received 4% Low Income Housing Tax Credits (LIHTC). The LIHTC program will allow for the renovation/rehabilitation of Cleaves Court. The scope of the work includes the following:

- Improvements to building façade (masonry repairs)
- Balcony repairs
- New windows
- Site drainage improvements and parking lot repairs
- New boilers and heating distribution system replacement
- Replace aluminum wiring
- New flooring, lighting and painting in all corridors

- New kitchen cabinets, sink, countertop, light and appliances as needed (~ 80%). All range hoods vented to the exterior
- New bathroom vanity, sink, toilet, faucets, showerhead, mirror, lighting and towel bars (~ 80%). All bath fans replaced.
- New flooring and paint as needed

D. FUTURE TENANT SELECTION

Northwest Cleaves Limited Partnership will continue to maintain a waiting list for Cleaves Court based on date of application, preferences, emergency criteria or other regulated/required/applicable criteria. CHA will oversee new move-ins to the PBV units. When a vacancy is anticipated in a PBV unit at Cleaves Court, the Property Manager notifies the Cambridge 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 Cambridge Housing Authority office 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 July 1, 2015, Cleaves Dimock-Bragdon Limited Partnership will purchase Cleaves Court 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 95% of AMI as 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 receive an EV, annual family income must be at or below 95% of AMI and to convert to a PBV, annual family income must be at or below 80% of AMI as noted in Attachment B.
4. Northwest Cleaves 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 Cleaves Court, 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 36.

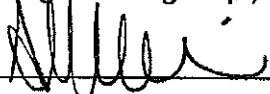
An example of how the reserve is established and used can be found in Attachment C.

7. Northwest Cleaves 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 Northwest Cleaves 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:

Northwest Cleaves Limited Partnership
By: Cleaves Court Inc., its General Partner
By: Urban Edge Housing Corp., Managing Member



Sharon Zimmerman, General Partner

4/2/15

Date

Cambridge Housing Authority
362 Green Street
Cambridge, MA 02139



Gregory Russ, Executive Director

4/9/2015

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, 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
2015 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
4 persons	\$69,700	\$89,400
5 persons	\$75,300	\$96,550
6 persons	\$80,900	\$103,700

**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 36 households living at Cleaves Court, 1 is determined to be over-income for receipt of either an enhanced voucher or a project-based voucher, leaving 35 households that are eligible for PBVs as follows:

Total households	36
Not eligible for PBV	1
Total units eligible for project-basing	35

Of the remaining, let us assume that 34 have signed binding commitments to participate in the Project-based Voucher program, while have declined to convert to PBV.

Eligible families	35
Families opting for TPV/declining to convert	1
Families opting to convert to PBV	34

In this example, Northwest Cleaves Limited Partnership can obtain only 34 PBVs and is 2 vouchers short of its goal of project-basing all 36 units. CHA will establish a reserve of 2 back-up vouchers that would permit Northwest Cleaves 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 Cleaves Court would be for 36 units with 2 of those vouchers designated as back-up that can activated over the life of the contract.

Attachment D – Rent Phase In Policy

Northwest Cleaves Limited Partnership appreciates all of the residents who reside at Cleaves Court 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 Cleaves Court as of the date the Section 236 mortgage is pre-paid (the “closing”). The pre-payment is expected to take place on or around May 1. 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 Cleaves Court will be as follows:

One Bedroom Rent: \$1,381

Two Bedroom Rent: \$1,721

Three Bedroom Rent: \$2,140

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 (2015, 2016, 2017, 2018, and 2019). In January 2020, 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 (2015, 2016, 2017, 2018 and 2019), with the rent increasing to the then current EV/PBV rent in Year 6 (2020).