

TO: Richard Mucci; Chair, Select Board, John Suhrbier; Chair, Housing Partnership Board

CC: Michael Bettencourt, Beth Rudolph, Mark Twogood, Marty Jones, Jennifer Cafarella

FROM: Lynne D. Sweet, Managing Member, LDS Consulting Group, LLC

DATE: August 4, 2023

RE: Changes Proposed for 87-89 Cross Street

The purpose of this memo is to address the questions raised in our meeting on July 24, 2023. Thank you again for your time and great ideas.

1. **Does MassDevelopment have a small project financing program?** Marty Jones pursued this matter and reported back that they do not.
2. **Can the two affordable units be conveyed to a not for profit and then rented out to households earning at below 50% of AMI?** I had several conversations with the state trying to peel back the layers of how this could work. The state is not opposed to this idea, but it is complicated and would most likely involve two regulatory agreements, two marketing plans and two cost certifications.

Mr. Covino is not opposed to this idea either. However, we believe this should be an option and not a requirement in the comprehensive permit, since finding a non-profit buyer with funding to purchase the units is beyond the applicant's control, as is the state's approval of this approach. The type of language that would be acceptable would be something along the lines of: **"If, within 90 days after filing of issuance of the comprehensive permit with the Town Clerk, a not for profit entity is identified by the town and has the financial ability to purchase the affordable units at the then approved purchase price determined by EOHLC, the applicant will cooperate with the not for profit and assist in completing the necessary paperwork. The applicant shall not be responsible for any costs incurred in connection with this process, including with respect to lottery/regulatory agreement/legal fees etc. In addition, the Applicant shall be allowed to demolish the building."**

One reason for this time period is that Applicant is incurring carrying costs on the property and would like to get into the ground as soon as possible. More importantly, the Applicant will need to go to the state for final approval prior to pulling a building permit, and all these documents need to be in place for him to do so.

3. **Is there any source of funding that would cover the \$1.7M gap in financing for the rental project?** As outlined in my last memo no. In fact, it would be cheaper to raise the \$700,000 or so needed to buy the affordable units than to try to seek out another \$1M.
4. **What funding sources/avenues did the Applicant pursue prior to considering HO?**
 - a. Given the constrained lending environment, banks are only lending to clients that they have a current relationship with.
 - b. Interest rates are hovering at 7 ¾%. There is no indication that they will be dropping

anytime soon.

- c. LDS spoke with MassHousing and went through various housing programs and there were no viable grant options given the location in Winchester, the size of the gap financing and the timing.
- d. Mario has spoken in the past with the local Winchester banks, whom he has a social relationship with, and their interest rates, one of which I confirmed yesterday, are no different than the banks Mario has a relationship with (i.e. 7 ³/₄). They do not appear to have any grant funds other than AHP which is not an option as explained below.
- e. Marios project will not score well under the AHP FHLBB program. It has a lot to do with him not being a not-for-profit and the location not in a difficult to develop area. It would bring in little funds. In addition, given that there are only 2 affordable units it would not compete well with larger projects that have more affordable units.
- f. NSP (formerly community scale housing) funding is closed, and he also would not score well due to location, number of affordable units etc.
- g. The Gateway Funding is for projects with 4 or less units located in gateway cities. Winchester is not a gateway city.
- h. MassDevelopments' TDI funding programs are also targeted to gateway cities and for first floor retail.
- i. The Town of Winchester does not have CPA, HOME or CDBG funds. In addition, any funds it does have appear to be targeted to larger developments.
- j. The Applicant looked at a potential office/residential scenario (the property is in a GB2) as allowed under current zoning but that would not have had any affordable units.

The Applicant would very much like to move forward with the proposed condominium scenario, which guarantees the town 2 affordable homes in perpetuity, and he is open to a potential rental scenario as outlined herein. But in order to do, needs the towns signature on the revised application so he can return to the ZBA to complete the comprehensive permit process.