Redevelopment of Single-Family Homes Updated FAQ's –January 27, 2025

Question #21: Will the SHA be applying for CPA funds annually to pay for the maintenance of the new homes?

Response: No. The grant the SHA received from the State is in two parts. The first part is for $1,200,000 for planning, design and construction of the homes. The second part is for four project-based Massachusetts Rental Voucher Program (MRVP) vouchers that will allow the SHA to receive 100% of Fair Market Rent (as defined by State regulations). This rent subsidy will provide sufficient funds for the operating costs, including maintenance, of the properties.

Question #22: Why doesn't the SHA buy single-family homes as they come on the market?

Response: Any single-family home that SHA bought would not be part of the State portfolio and therefore the SHA would not be able to use State funds to support the property. In other words, the property would have to be self-sustaining from the rental income received. Because rent in affordable housing is capped at 30% of the tenant's income and the tenants of the SHA are low- to moderate-income people, the SHA would not receive sufficient funds to maintain the property. The property would likely also require an initial outlay of capital funds to meet the standards required by the Local Initiative Program. Additionally, the SHA would be competing with private-sector buyers for such homes. It is unlikely the SHA could move as nimbly as a private-sector buyer, or establish the LIP program along the seller's timeline for closing in a competitive market.

The SHA did buy a single-family home in the Pine Lakes neighborhood in 2014, administered as a LIP unit. In that situation, the seller was willing to work with the SHA as it went through the process of creating a LIP, and the cost of the house was such that SHA was able to use previously awarded CPA funds and obtain a small mortgage. To optimize the sustainability of this property and program, the tenant must be at the higher end of the allowable income restrictions. This program also receives an annual management fee from another of SHA's programs, further ensuring its financial viability. Because of the increasing costs of single-family homes, and absent a source of operating subsidy, this model cannot be replicated.

Question #23: Does the SHA routinely operate at a deficit?

Response: No. This impression may stem from a review of the SHA's FYE26 Annual Plan which was recently published. It appears to show a deficit of

$210,430 in SHA's FYE24 operating budget. However, there are three expense figures included in this Annual Plan presentation of the operating budget that do not figure in the actual operating budget of the SHA. They are Employee Benefits – GASB 45, Pension Expense – GASB 68, and Depreciation Expenses. Housing authorities are required to track these figures, which, in this case, total $204,000. However, they do not represent actual payments, nor are they projected in the annual operating budget. Annually, the SHA prepares an operating budget for the upcoming fiscal year with assistance from its accountant. The budget is submitted to and approved by the State and is monitored throughout the fiscal year through periodic reporting. In FYE24, the operating budget showed a year-end deficit of approximately $6,000 against a budget in the range of $600,000. That represents a (1%) deficit relative to a working budget. It *does not* represent the SHA's financial position/health. For example, as also reflected in the FYE26 Annual Plan, the SHA's FYE24 operating reserve was $380,459. Although this number exceeds the State-required minimum reserve—intended to cover emergencies and unforeseen expenses—it amounts to less than $5,000 per unit in a portfolio of aging properties.

Question #24: Can the SHA use the funds awarded from the State to build houses somewhere else?

Response: No. The State awarded the funds and vouchers to SHA based on the specific proposal which was the redevelopment of the four properties in question. The award is not transferable to another location.

Question #25: Why doesn't the SHA utilize its larger properties, such as those on Fairbank Circle, Old Meadow Road, and Pine Street, all of which have expired deed restrictions, for the proposed new development.

Response: The SHA routinely considers options to create additional affordable rental housing opportunities. The SHA has considered these particular sites for development potential on a number of prior occasions and will continue to consider development options in the future. The SHA Board elected to move forward with the proposal as outlined—to redevelop on the sites of the existing single-family homes it owns—after engaging (a) an engineering firm that demonstrated its pre-development feasibility; (b) a development consultant that affirmed its financial viability; and (c) the State Executive Office of Housing & Livable Communities, which evaluated the merits of the proposal, ultimately awarding SHA significant, competitive funding to bring the vision to fruition. Moreover, building homes on the other sites does not address the capital needs of the four existing single-family homes.