



**PLAN**

Dudley Square  
Roxbury

# REQUEST FOR PROPOSALS AFFORDABILITY REQUIREMENTS & AREA MEDIAN INCOME DISCUSSION

November 15, 2019



## Agenda

**6:00 – Open House – Please look at the boards around the room!**

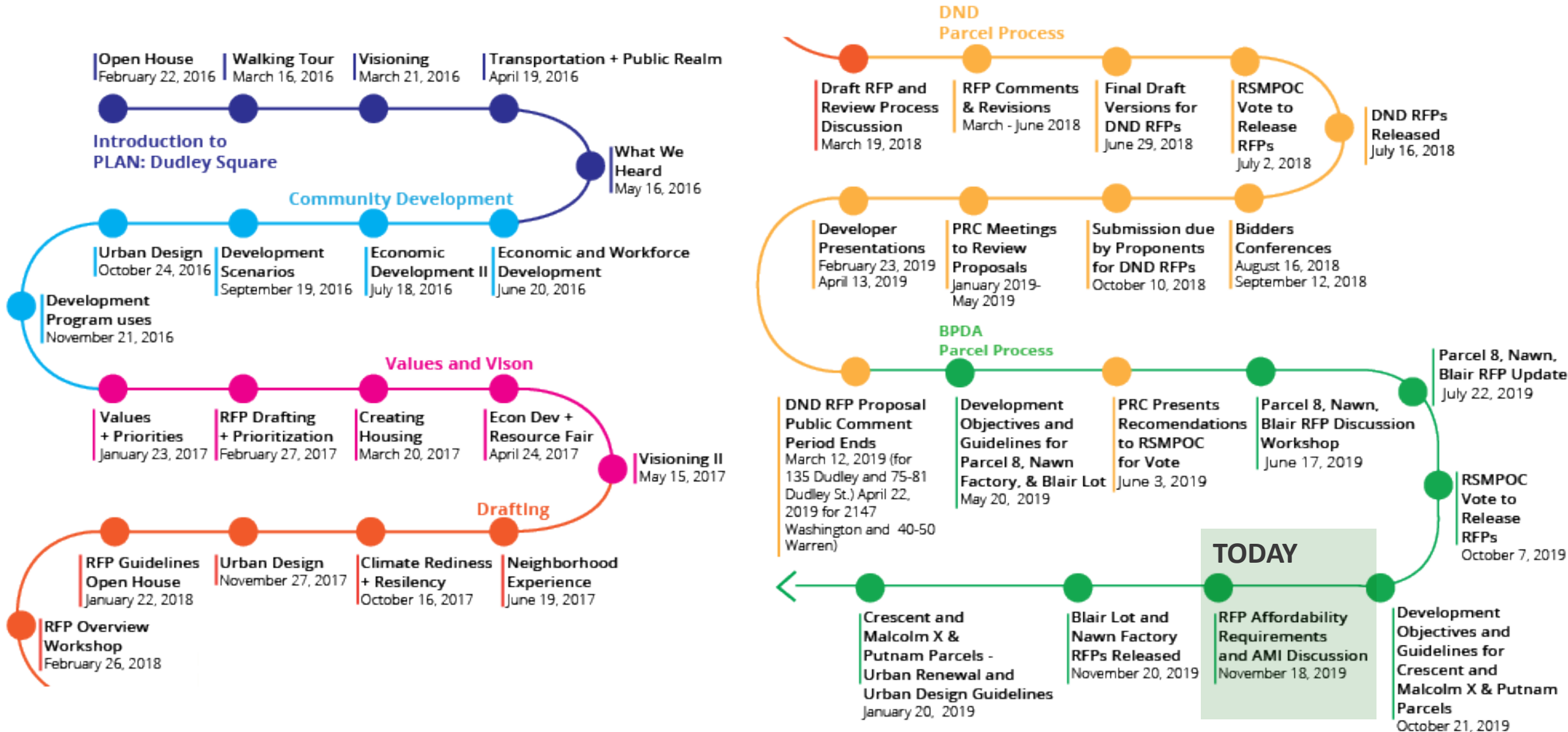
### **6:15 – Presentation**

- What have we done thus far
- Where we are in the process
- Upcoming Dates
- RFP Affordability Requirements and Objectives

**6:40 – Example with Funding Mechanism**

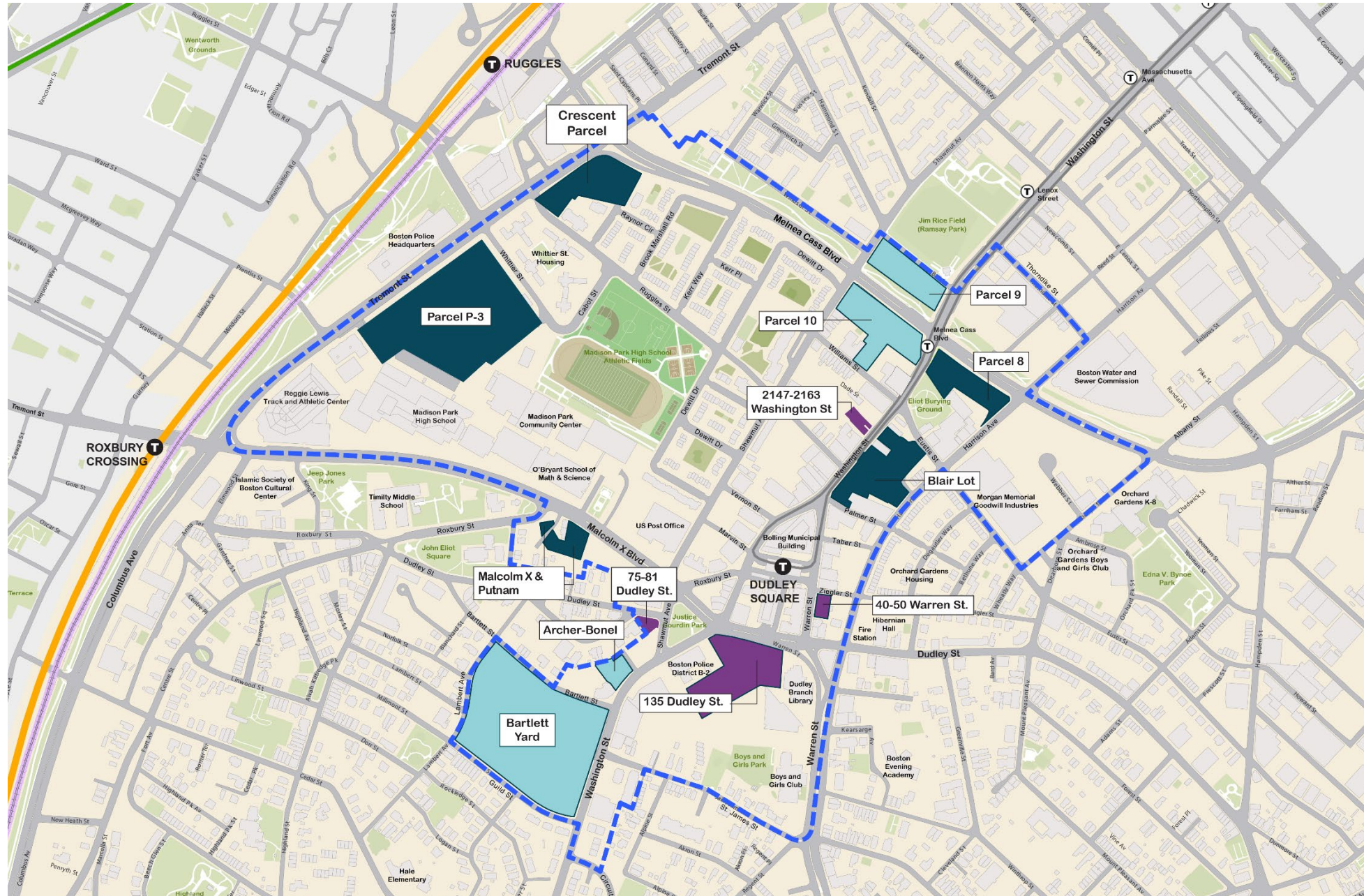
**7:00 – Discussion, Comments, Next Steps**





## Process to Date:





# PLAN: Dudley Square Area



-  **PLAN: Dudley Square Study Area Boundary**
-  **Designated Parcel**
-  **Development Parcel Pending RFP - BPDA**
-  **Development Parcel RFP'd - DND**

## Parcel Status

### Article 80 Review:

135 Dudley Street (Large project review)

2147 Washington (Large project review)

75-80 Dudley (Small project review)

40-50 Warren (Small project review)

### RFPs Approved:

Blair Lot – will be issued November 20

Parcel 8 – TBD Issue date

Nawn Factory – will be issued November 18 (today)

*Looking for Project Review Committee Nominations*

### Ongoing Process:

Crescent

Malcolm X & Putnam



## Upcoming Meetings and Important Dates

### This Week

- Release of Blair Lot (<http://www.bostonplans.org/work-with-us/procurement>) and,
- Nawn Factory RFP (<https://www.boston.gov/departments/neighborhood-development/requests-proposals>)

### December 2, 2019

- Project Review Committee Nomination Deadline – [bit.ly/PRCDUD1](http://bit.ly/PRCDUD1)

### January 6, 2019

- Bidders Conference – 10:00 AM Bolling Building 2<sup>nd</sup> Floor
- RSMPOC Meeting - Bolling Building – 6<sup>th</sup> Floor

### January 20, 2019

- Tentative PLAN: Dudley Square Workshop – Crescent and Malcolm X & Putnam Parcels – Campus High Urban Renewal and Urban Design Guidelines

## Why are we here tonight?

- **Continue the PLAN: Dudley Process**
- **Discuss affordability requirements in PLAN: Dudley Square RFPs and Area Median Income**
- **Discuss funding mechanisms and an example of a development seeking funding for 1/3, 1/3, 1/3.**
- **Ask questions and provide feedback**

## What is Area Median Income (AMI)?

- Area Median Income is the median amount that a household of a given size makes in a given metro area.
- That means equal numbers of households have incomes above and below the median.

## How is Area Median Income (AMI) determined for Boston?

The Department of Housing and Urban Development (HUD) calculates AMI by using the Boston-Cambridge-Quincy Metro Area Family Median Income. HUD does not publish a local Boston or neighborhood AMI.

Boston 2019 Area Median Income					
1-Person Household	2-Person Household	3-Person Household	4-Person Household	5-Person Household	6-Person Household
\$79,350	\$90,650	\$102,000	\$113,300	\$122,400	\$131,450



## We use % of AMI as shorthand to express a household's income

The AMI for a three-person household is **\$102,000**

<p>If a three-person household makes <b>\$32,000</b></p>	<p>Then they are at . . .</p>	<p><b>30% AMI</b></p>
<p>If a three-person household makes <b>\$53,350</b></p>	<p>Then they are at . . .</p>	<p><b>50% AMI</b></p>
<p>If a three-person household makes <b>\$80,300</b></p>	<p>Then they are at . . .</p>	<p><b>80% AMI</b></p>

## What does Affordable mean?

Housing that is affordable means that a household spends around 30% or less of their income towards housing costs (rent, mortgage, property tax, utilities).

### **For example:**

A three-person household in Roxbury makes \$30,600 per year.

- Housing costs are considered affordable at 30% of household income.
- $30\% \times \$30,600 = \$9,180$  in annual housing costs
- $\$9,180 / 12 \text{ months} = \$765$  per month in housing costs



## We use % of AMI as a shorthand for income restriction on a unit

The rent for a unit restricted to a certain % of AMI will have a maximum rent affordable to households with income in that AMI.

If a three-person household makes <b>\$32,000</b>	Then they are eligible for a unit restricted to	<b>30% AMI</b>	And the maximum rent for a two-bedroom will be	<b>\$800/month</b>
If a three-person household makes <b>\$53,350</b>	Then they are eligible for a unit restricted to	<b>50% AMI</b>	And the maximum rent for a two-bedroom will be	<b>\$1,333/month</b>
If a three-person household makes <b>\$80,300</b>	Then they are eligible for a unit restricted to	<b>80% AMI</b>	And the maximum rent for a two-bedroom will be	<b>\$2,098/month</b>

## How did we get to 1/3, 1/3, 1/3? And what does that mean?

The language in the Request for Proposals States:

### Rental Units

- Proposals must provide a **minimum of one-third of units to low-income households (ranging from less than 30% to 50% of Area Median Income ("AMI")), with the maximum AMI for these units not to exceed 50% of AMI.**
- The middle income units should also include a range of affordability options with the **maximum AMI not to exceed 80% AMI.**
- Up to but not more than **one-third of units may be market rate.**

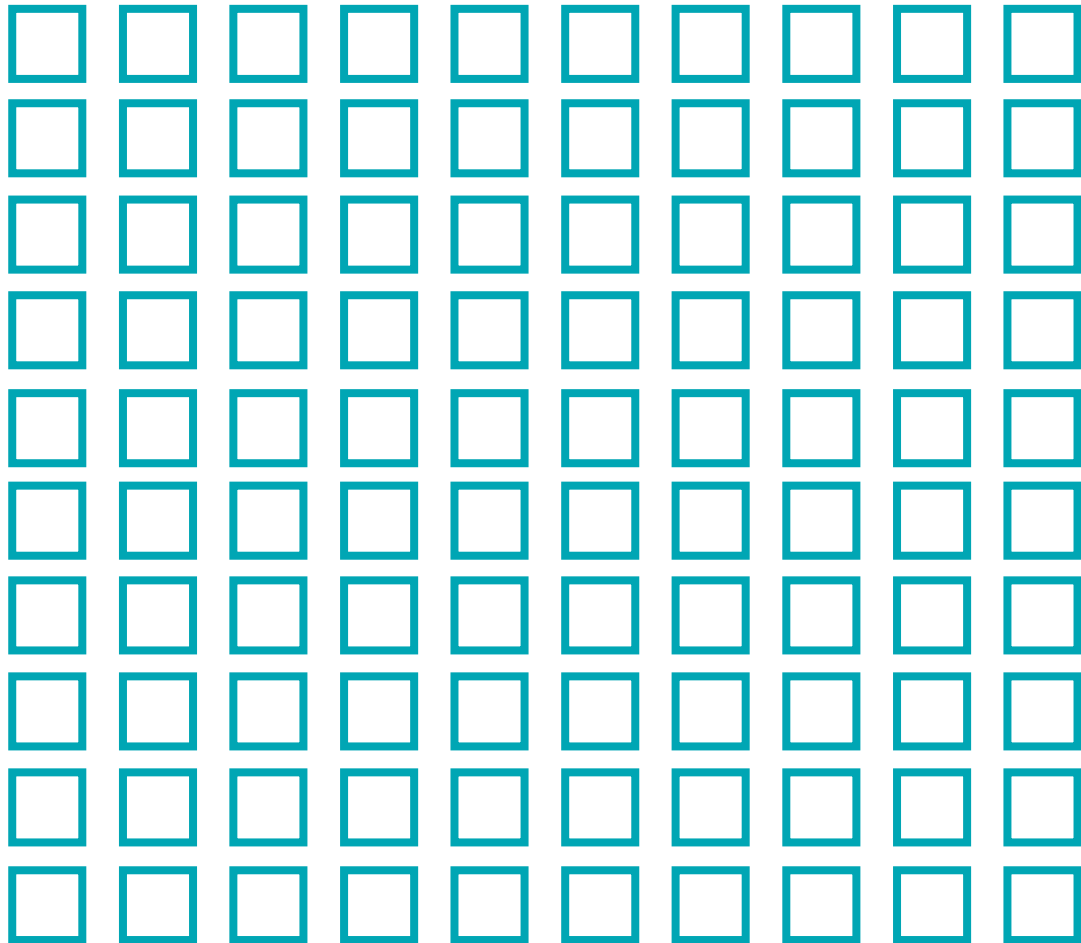
### Homeownership Units

- **Two-thirds of units** should be targeted to households with a range of incomes from 60-100% AMI, with the average AMI not to exceed 80%
- **One-third of units may be market rate.**



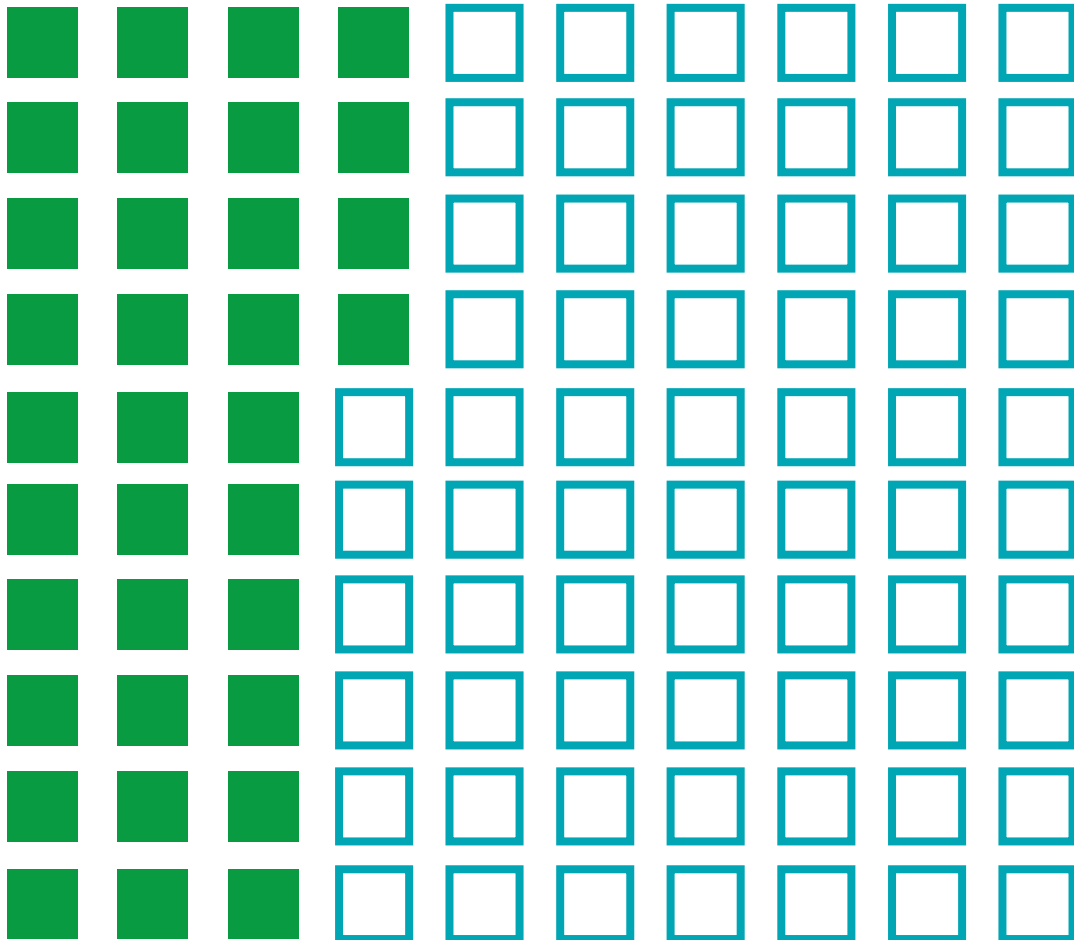
## Example

**For a development proposing 100 rental units:**



## Example

For a development proposing 100 rental units that are all two-bedrooms:



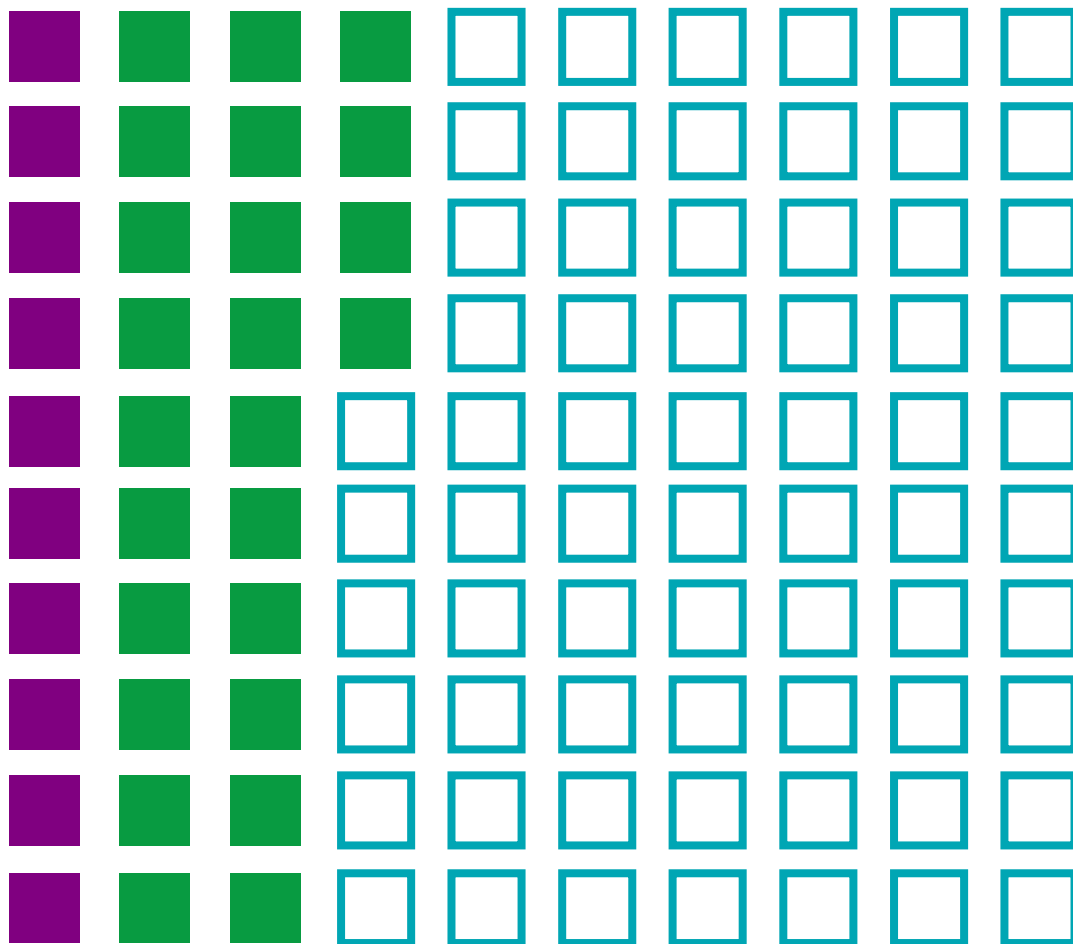
**1/3 are restricted to maximum 50% AMI**

- Maximum monthly rent is \$1,333
- Maximum annual income for a three-person household is \$53,350



## Example

For a development proposing 100 rental units that are all two-bedrooms:



**1/3 are restricted to maximum 50% AMI**

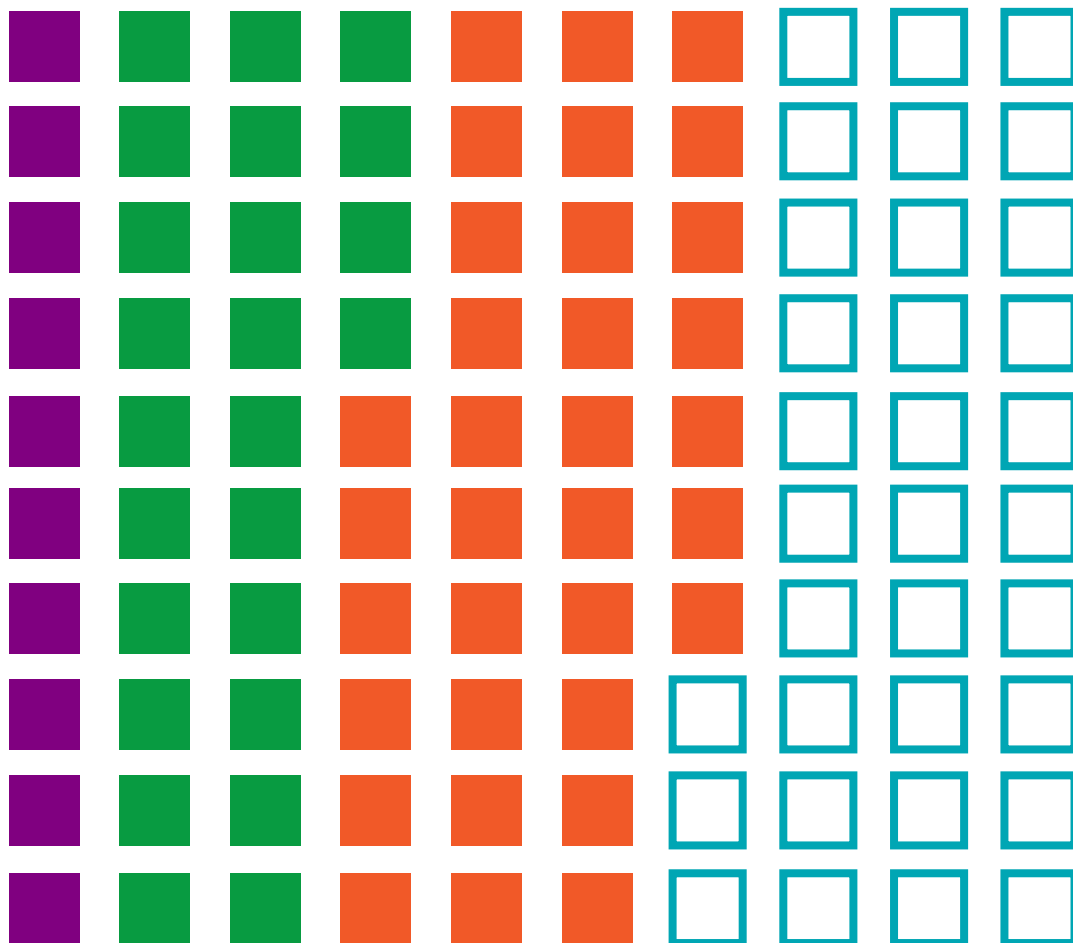
- Maximum monthly rent is \$1,333
- Maximum annual income for a three-person household is \$53,350

**10% of all units must also be maximum 30% AMI. This can be included in the first 1/3.**

- Maximum monthly rent is \$800
- Maximum annual income for a three-person household is \$32,000

## Example

For a development proposing 100 rental units that are all two-bedrooms:



### 1/3 are restricted to maximum 50% AMI

- Maximum monthly rent is \$1,333
- Maximum annual income for a three-person household is \$53,350

### 10% of all units must also be maximum 30% AMI. This can be included in the first 1/3.

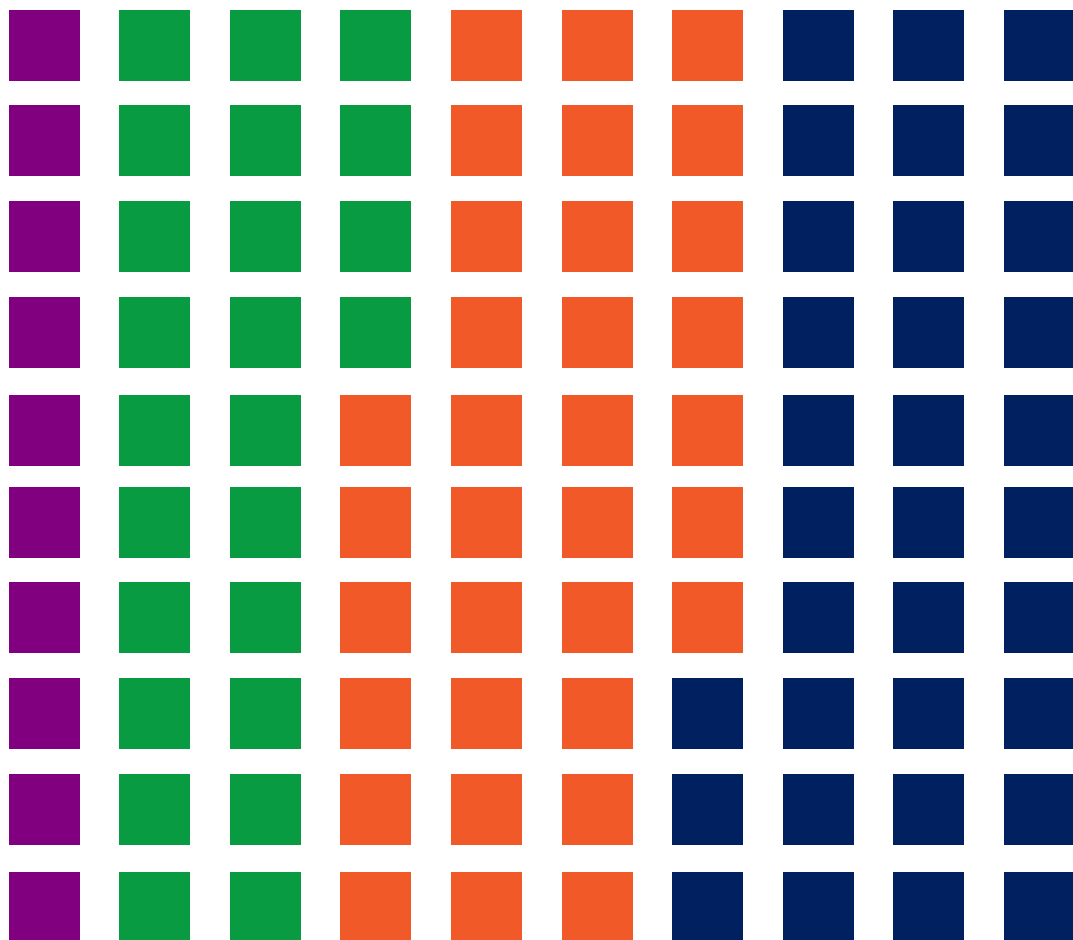
- Maximum monthly rent is \$800
- Maximum annual income for a three-person household is \$32,000

### 1/3 are restricted to maximum 80% AMI

- Maximum monthly rent is \$2,098
- Maximum annual income for a three-person household is \$80,300

## Example

For a development proposing 100 rental units that are all two-bedrooms:



### 1/3 are restricted to maximum 50% AMI

- Maximum monthly rent is \$1,333
- Maximum annual income for a three-person household is \$53,350

### 10% of all units must also be maximum 30% AMI. This can be included in the first 1/3.

- Maximum monthly rent is \$800
- Maximum annual income for a three-person household is \$32,000

### 1/3 are restricted to maximum 80% AMI

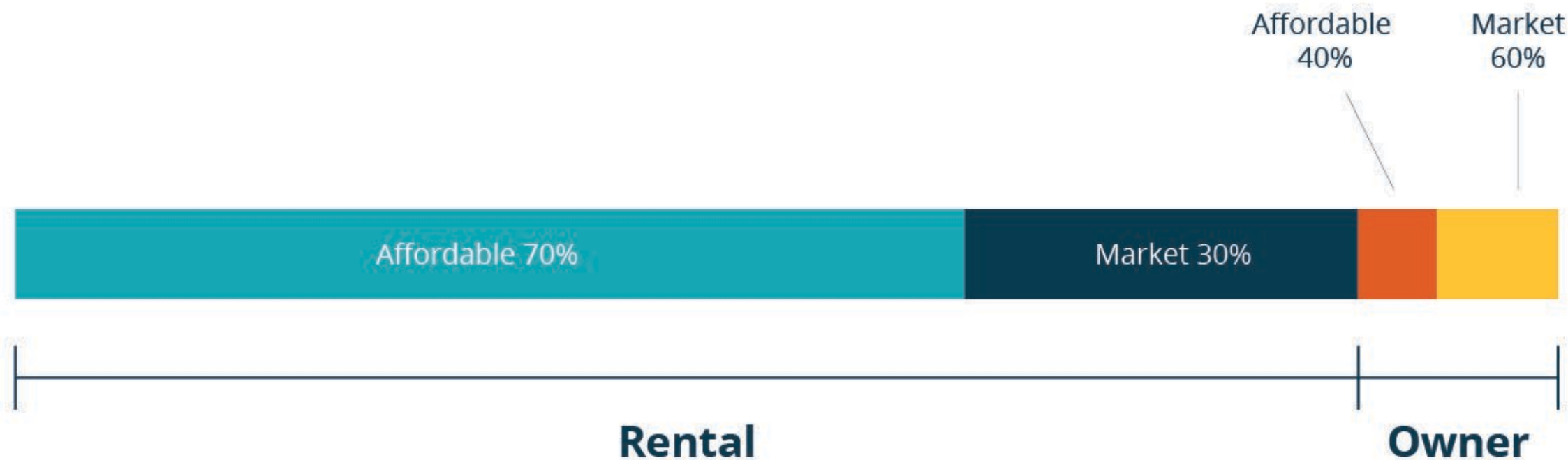
- Maximum monthly rent is \$2,098
- Maximum annual income for a three-person household is \$80,300

### 1/3 are market rate

- No income restriction
- Average rent in Roxbury is \$2,200

## What currently exists?

### Total Housing Units Affordable vs Market PLAN: Dudley Square Study Area





## What is in the pipeline for development?

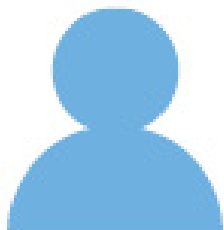
Project Status	Maximum income, Family of Three*						Total Income Restricted	Market Rate	Total Units
	\$32,000 30% AMI	\$53,350 50% AMI	\$64,020 60% AMI	\$71,400 70% AMI	\$80,300 80% AMI	\$102,000 100% AMI			
Completed, 2011-2019	23	44	20	14	1	1	103	90	193
Under Construction	20	0	181	0	20	3	224	90	314
BPDA Approved	16	12	25	0	11	2	66	39	105
Under Review/ Proposed	49	22	128	52	70	15	395	311	706
<b>Total Units</b>	<b>108</b>	<b>78</b>	<b>354</b>	<b>66</b>	<b>102</b>	<b>21</b>	<b>788</b>	<b>530</b>	<b>1,318</b>

\* As the average household size in Roxbury is 2.7, a household size of three was used to provide income ranges.

## Development Without Displacement

Each proposal must include a narrative on how they will address displacement.

### Very Low Risk



**73%**

1,001 households living in income-restricted housing units

### Low Risk



**14%**

160 households; Renters making more than \$75,000 and Homeowners making more than \$50,000

### High Risk

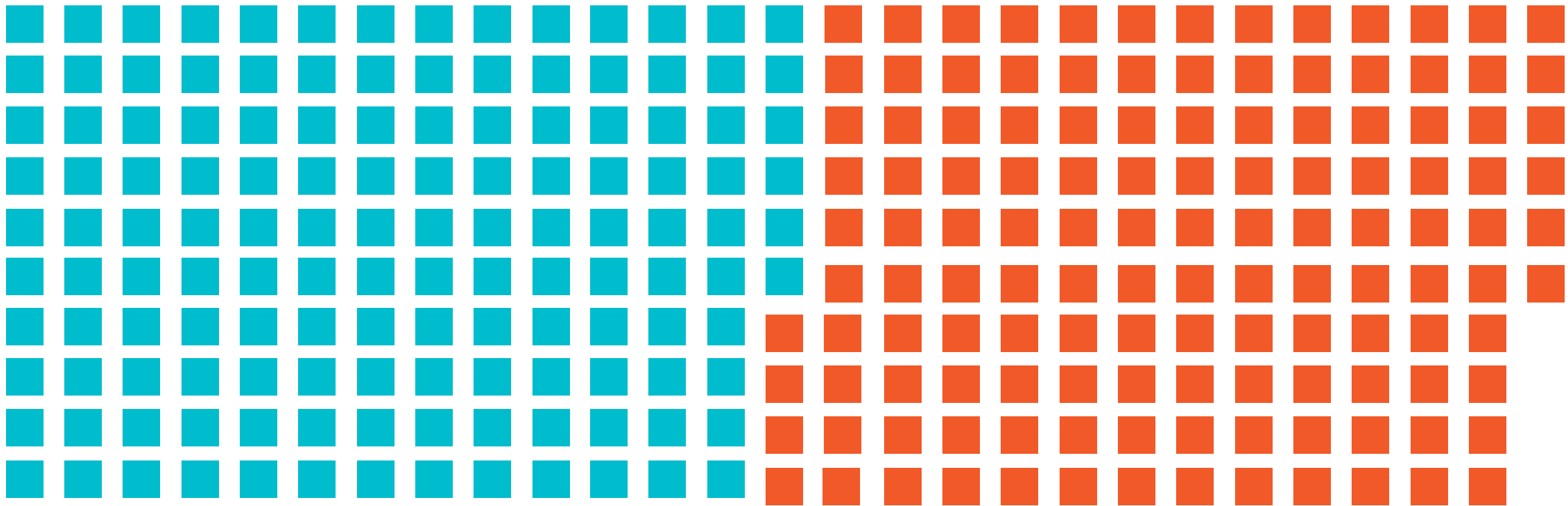


**13%**

180 households; Households in Market Rate Rental housing making less than \$75,000

## What have we seen thus far throughout PLAN: Dudley?

There were **265 total units** proposed.

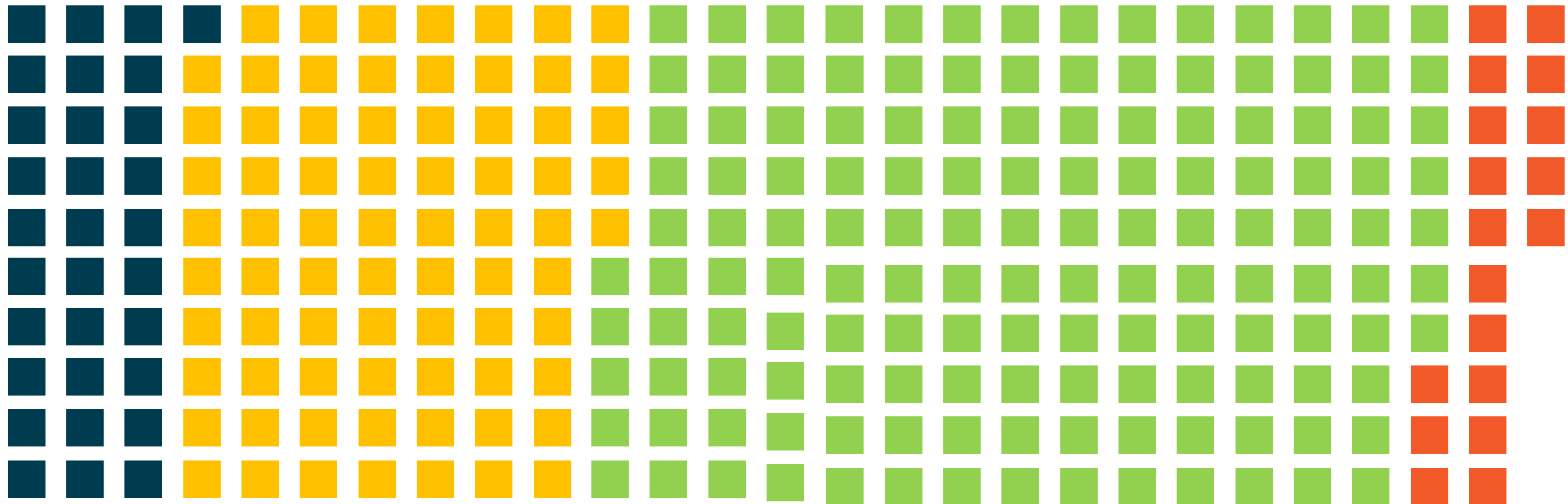


**51% of units are rental**

**49% of units are homeownership**

## What have we seen thus far throughout PLAN: Dudley?

Out of the 265 units...



**31**  
studios

**74** one-bedrooms

**142** two-bedrooms

**18**  
three-  
bedrooms



## Typical cost to build an affordable unit

- New construction costs can be **up to \$400,000 per unit or more.**
- The cost depends on
  - Construction type (based on size of the building)
  - Acquisition costs
  - Loan costs
  - Size of units
- **If rents aren't high enough to cover costs, the unit needs a subsidy.**
- **Public subsidies are used to close the gap between market and affordable rental income to keep rents low.**

## How do these projects get funded?

### State Resources

- Low Income Housing Tax Credits – both Federal and State (State controls both)
- Historic Tax Credits (for rehab or reuse of historic properties)
- Federal HOME funds/state-controlled
- "Soft" Loan Funds from various State programs
- Massachusetts Rental Voucher Program (MRVP) vouchers
- State-allocated Section 8 Vouchers, including "811" vouchers for specific populations

### *Availability*

- State resources are contingent on Federal appropriations and State housing bond bill
- Large statewide pipeline limits the number of Boston projects funded each year

## How do these projects get funded?

### **City Resources**

- Federal HOME and CDBG funds (City Allocation)
- "Linkage" funds from commercial development in Boston
- Inclusionary Development Policy (IDP) funds from developers of market-rate housing
- Inclusionary Development Policy (IDP) Off-Site Funds or centralized IDP fund
- Other city funding resources – budgeted annually
- Community Preservation (CPA) - Funded through an additional real estate tax

### **Availability**

- City's allocation of Federal resources is determined each year, by formula and Federal Appropriations decision
- Linkage and IDP funds are dependent on market/commercial development in Boston
- City budget resources are determined annually
- CPA is determined based on the value of Boston real estate
- DND runs an annual competition to award funds to projects

## How do these projects get funded?

### Other Resources

- Boston Housing Authority allocation of Section 8's that may be used for development under certain circumstances
- Permanent loans from banks, or quasi-public banks, including MassHousing, Massachusetts Housing Investment Corporation (MHIC), etc.
- Foundation grants
- Federal Home Loan Bank grants
- Developer equity and/or deferred fee





**Before we go into an example...**

**Does anyone have any questions?**

Let's look at an example of this.

## DEVELOPMENT FINANCIALS WITH RENTAL SUBSIDY

*Instructions: Complete all shaded cells, all others will self-calculate*

**Developer Name:** Dudley Sample Project

**Property Address:** Dudley Square

**Proposed Number of Buildings:**

1

**Proposed Number of Units:**

62

**Proposed Commercial Space:**

11,476 sf.



## Questions, Comments, and Next Steps

- **Question/Comment Cards**
- **Deep Dive**

**Next PLAN: Dudley Square meeting – January 20th, 2020**