To:	Watertown Affordable Housing Trust
From:	Clifford Cook, Chair and Larry Field, Senior Planner
Date:	May 22, 2023
Re:	Memo on ARPA Funding

The City Council's Committee on Budget and Fiscal Oversight (BFO) will soon conclude a 60-day proposal/comment period for use of Watertown's $10.5 million ARPA allocation. This memo provides information about the housing proposals likely to be submitted by the May 26 deadline.

List of Proposals

Proposals	**Sponsor**	**Projected cost**
McSherry Gardens: Phase II improvements.	WHA	$1,645,000
Marshall Place modernization: for elevator replacement next year.	CASCAP	$91,788
Quimby Street Condos--unit improvements to allow resale and common area improvements	Metro West Collaborative	$334,203
Direct Assistance: one-time rental & other cash assistance targeted at/below 60% AMI.	Metro West Collaborative	$250,000
Case worker at Wayside Youth	Wayside Youth	$317,466
Total proposed		$2,570,991

McSherry Gardens: Phase II

McSherry Gardens is a public housing project built in 1960 at 115 Waverley Avenue. It consists of five two-story buildings and a one-story attached community building, with a total of 40 units for elderly households. Like other public housing projects, it has been chronically under-funded and is in critical need of capital improvements. The Watertown Housing Authority has a two-phase plan for modernizing the project.

Phase I involves major ADA and stormwater improvements, as well as new kitchens and floors in one building (eight units). The WHA has funding to proceed and is in the contracting phase. Phase II is to replace the kitchens and floors in the remaining 32 units. The WHA has February 2023 cost estimates based on 100% drawings. The WHA states the project is shovel-ready and can proceed on the ARPA timeline to commit and spend the funds.

The WHA has worked effectively to obtain state funding for the McSherry Gardens capital project (over $2.68 million in three DHCD awards). It has used a large percentage of its annual capital funding from the state on McSherry Gardens. At this point, it has limited options for Phase II funding and is faced with postponing that phase, potentially for years, without an ARPA allocation.

This project is squarely within the Housing Plan/Strategy 2B: "Support the Watertown Housing Authority and others in the effort to rehabilitate public housing inventory and create new units on its existing land."

Marshall Place

There are 11 elderly rental units at Marshall Place Apartments, a historic structure at 120 Mt. Auburn Street. The project was a partnership of CASCAP and Watertown Community Housing in 2000. The proposal is to replace the elevator.

The elevator replacement budget is $191,788. This includes the following major elements:

- Installation: $101,162
- New cab: $36,030
- Temporary relocation costs: $37,236

The first two elements are based on an April 19, 2023 quote. The third is based on recent information about the time and cost necessary for temporary relocation. Last year, the WHP helped fund a similar but more complex project at St. Joseph Hall. State inspection time is a significant variable and warrants a conservative estimate of the temporary relocation period as proposed by CASCAP.

Marshall Place is requesting $91,788 to close the gap between its funds and the estimated cost.

This project is squarely within Housing Plan/Strategy 5C: "Provide emergency funding for critical repairs in existing affordable units."

Quimby Street Condos

As discussed at the April meeting, the 28-34 Quimby Street condos are four affordable units created in 2003 by Metro West Collaborative (then Watertown Community Housing). Metro West acquired one of the units in 2009 and, until recently, rented it to an income-eligible tenant. The unit is now vacant. Metro West plans resale to an income-qualified purchaser, which will require unit improvements. Meanwhile, over the last 20 years, common area capital improvements have become necessary (mainly the two roofs and at least one porch).

<u>Resale of 28 Quimby Street</u>

The resale price of 28 Quimby Street has not been set by DHCD. Under the agency's universal deed rider formula, the resale price could be up to $260,000. However, it is not clear that the existing rider would allow a resale price that high, and Metro West has prudently used the lower limit ($204,240) in its calculations. At the $204,240 level, sale would just cover the debt on this property, consisting of:

- $127,267 private mortgage as of March 2023
- $59,300 Watertown loan (Affordable Housing Development Fund)
- $17,673 DHCD loan (HSF program)

Metro West has obtained estimates that an additional $209,937 is needed to ready the unit for resale. This consists of:

- $112,170 for repairs and improvements (including 15% contingency): kitchen cabinets and appliances, new windows, flooring, and painting.
- $74,450 in soft costs (most of this is transactional and ordinarily would be paid from the resale price)
- $23,317 in developer cost to Metro West for project management (this is half the amount allowed by DHCD)

The Trust and DHCD could lessen the funding required by forgiving the outstanding loans.

<u>Common area improvements at 28-32 Quimby Street</u>

The condominium association has not maintained any capital reserve and is unable to cover the exterior improvements that are now needed. The roofs on both structures need to be replaced and Metro West states that the front porch on 28-30 must be replaced. This situation, if not resolved, will also prevent the resale of 28 Quimby Street. Metro West estimates $124,267 to cover these improvements (including the 15% contingency) and no soft costs or developer fee.

Small affordable condo projects are known to be challenging to sustain. The owners can find it difficult to maintain sufficiently high condo fees to adequately meet operating costs and maintain adequate capital reserves. Nevertheless, any funder would insist on conditions that ensure that this situation does not continue.

This project is squarely within Housing Plan/Strategy 5C: “Provide emergency funding for critical repairs in existing affordable units.”

Direct Assistance

Metro West Collaborative managed the emergency rental assistance program funded by the WHP between September 2020 and December 2021 ($275,000). In addition, it has managed similar programs funded by the Watertown Community Foundation starting in summer 2020 and extending to the present. During the most intense COVID period, Metro West was managing multiple city/town programs in its service area, most notably a large program funded by Newton.

As the economic effects of COVID have lingered, Metro West has worked with communities on a variety of household assistance programs. Some of these have closed, including a Newton one-time "budget booster" payment program for income-eligible households. One that is presently active is a Five-Town Assistance program (Natick, Needham, Newton, Wellesley, and Weston). The program includes up to $2,500 in housing assistance and $500 in a back-to-work grant.

Metro West is proposing a $250,000 program that is like its Newton ‘budget booster” program. The proposed program would provide one-time direct cash assistance for a household looking to pay off debts, such as internet, cell phone, utility bills, public transportation, car payment and/or repairs, childcare, outstanding medical bills, rent, etc. The goal is to stabilize the household’s financial situation.

With $250,000, Metro West estimates it can help 80 households, based on a maximum payment of $1,000 per person and an estimate of the likely number of persons in each household. There would be a 15% administrative fee.

The proposed direct assistance program is a better fit for an ARPA award than a continuing rental assistance program. Newton staff felt that the program was a good transition from the robust rental assistance programs funded in the prime COVID years.

This project is within Housing Plan/Strategy 5D: “Evaluate short-term tenant-based rental assistance.”

Wayside Youth

Between 2013 and mid-2021, Wayside operated its Watertown Social Services Resource Specialist (SSRS) Program with one case worker funded by the City. In mid-2021, Wayside received funding from the Watertown Community Foundation to add a second, half-time case worker. The WCF funding expired on July 31, 2022.

SSRS counseling covers the full range of issues experienced by client households, including mental health and addiction. Even before COVID, a substantial percentage of the cases involved housing issues. Wayside helped clients find public rental assistance (public housing, Section 8, affordable units) and worked with clients in crisis (notices to quit, need for emergency shelter, etc). COVID increased demand for such counseling. Wayside referred clients to Watertown’s emergency rental assistance program funded by City/Community Foundation resources and helped clients apply for state RAFT/ERMA money.

Wayside will apply for a full-time case worker for the next three years at roughly $105,000/year. Based on prior conversations with Wayside, the cost of a full-time Master’s level clinician with foreign language fluency is significand and has risen since COVID because of increased demand.

This project is within the Housing Plan/Strategy 5D: “Evaluate short-term tenant-based rental assistance.”