

REDEVELOPMENT OF WALKLING COURT

Medford Housing Authority

FINAL REPORT

July 22, 2020

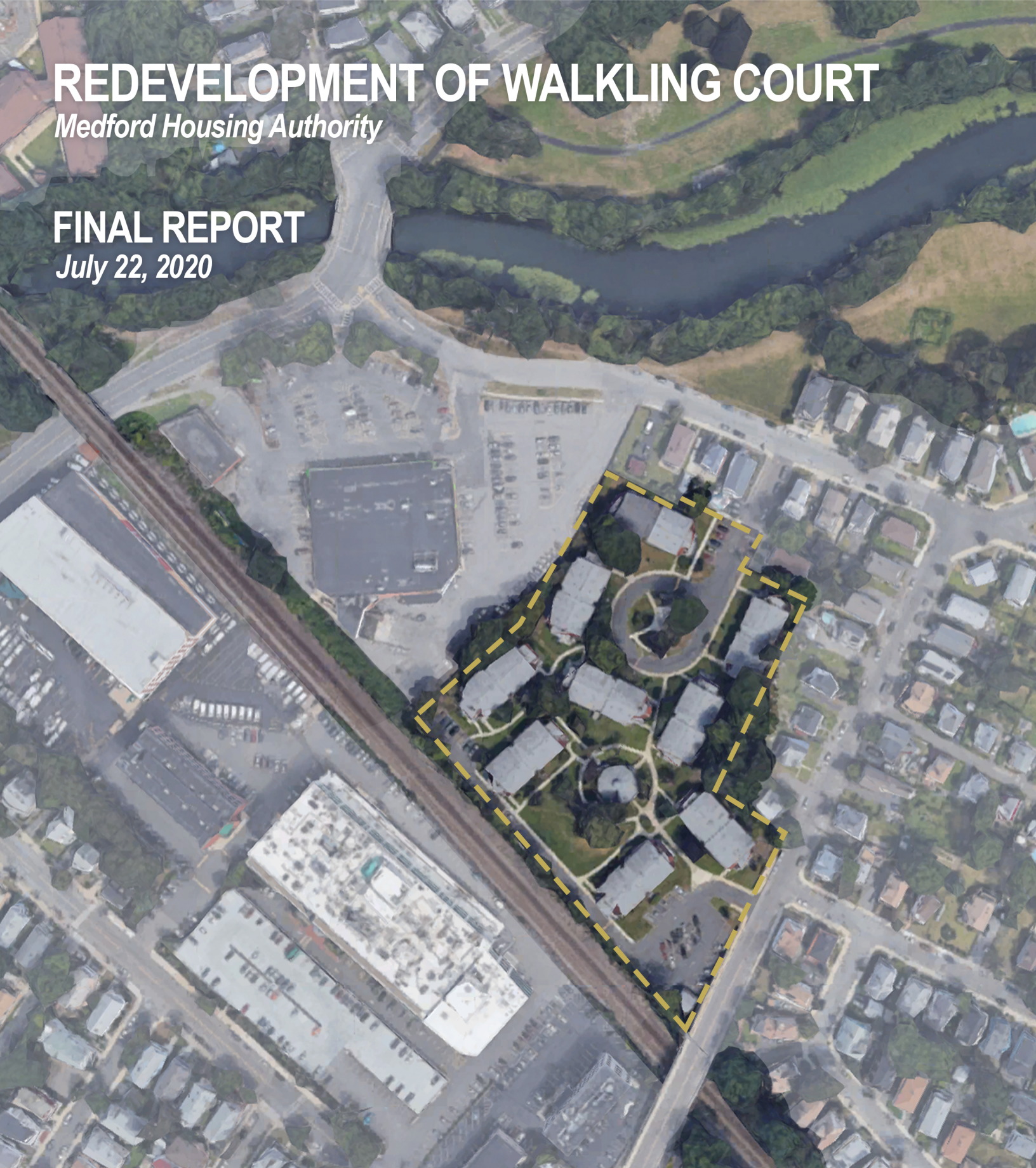


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I. Executive Summary

The Medford Housing Authority (MHA) requested that the Cambridge Housing Authority (CHA) assist MHA in identifying and evaluating redevelopment opportunities for Walkling Court, a 144-unit state public housing property for elderly and disabled households in Medford, MA.

Given the property's age, condition, and configuration as two-story walk-up flats, Walkling Court is obsolete for the elderly/disabled population that it serves. The redevelopment of Walkling Court provides a vital opportunity to provide high-quality, accessible senior housing in a mid-rise with elevator access and flexible community space to meet resident needs and to allow seniors to age in place. It also provides an opportunity to create additional senior and family housing on the site, to address the pressing need for affordable housing in the City of Medford and further MHA's ability to serve the 3,935 applicants on its waiting list for federal and state public housing; it is projected that over 9,000 Medford households may be eligible for subsidized housing, with approximately 7,500 households not receiving the assistance that they need and could qualify for.¹ The 3.7-acre site can accommodate greater density of housing, due to its size, the proximity of mid-rise buildings, and its transit-accessible and walkable location. In addition, the extension of the Green Line to Medford/Tufts and potentially to the Mystic River Parkway may result in additional higher-density development around the site.

The report presents three design proposals produced by the MHA, CHA, and Bargmann Hendrie + Archetype (BH+A) and provides recommendations to the MHA on how to move forward with the redevelopment of the site. As part of the process, MHA, CHA, and BH+A developed and analyzed various design proposals. The design proposals that are included in this report represent the strongest proposals when evaluated against the redevelopment's goals and priorities (see Section III), neighborhood considerations (see Section II.A), and financial feasibility (see Section V). Although the site layouts and massing studies are preliminary and will continue to be refined, each of the three options are viable design scenarios for the site.

Out of the three design proposals, it is recommended that MHA proceed with Design Option 1, which has the potential of providing between 228 and 238 new senior and family units on the site, an increase of between 84 and 94 additional units. Design Option 1 presents the strongest redevelopment scenario due to the following factors:

- The design most efficiently uses the site and has the potential of adding the greatest number of senior units (198 units) at Walkling Court.
- The design integrates the site with the surrounding community and is more responsive to the existing density and character of the neighborhood: taller buildings are placed alongside the railroad right-of-way where surrounding existing buildings are taller; smaller and less-dense buildings are placed by existing one- and two-family structures.
- A new through-street breaks up the site into smaller blocks that reflect the surrounding neighborhood fabric. The through-street also eases traffic to and from the senior housing complex and helps tie the site into the larger community.
- It has the most clearly defined and defensible outdoor community space for senior residents.

¹ Source: Jennifer Goldson, "Medford Housing Production Plan F Y2021-2024"

- The placement of the senior and family units suggests a logical phasing program and site subdivision and would lessen the potential need for off-site relocation of existing residents.

As Design Option 1 is further developed, issues related to noise or vibration caused by the railroad right-of-way should be studied further and mitigated through the design of the mid-rise and the materials used. It is also the CHA's recommendation that MHA retain Design Options 2 and 3 as alternatives that can be revisited depending on feedback from Walkling Court residents, abutters, the City of Medford, and potential funders, and to help inform discussions about the final design.

The projected per unit total development costs are \$582,000-\$598,000 for the senior housing and \$670,000-\$690,000 for family units. These costs are financeable using project-based operating subsidy, 4% or 9% Low Income Housing Tax Credit (LIHTC) equity, and permanent and subordinate loans. The per unit cost for the family units are greater due to the smaller number of family units and the fact that family units are larger in size than senior units. Financing gaps of between \$134,00 and \$199,000 per unit are manageable and can be addressed using the following strategies:

- Using state and local subsidies, including a potential capital grant from DHCD in lieu of future operating and capital subsidy to the property, calculated at approximately \$9.5 million over 15 years
- Designing more efficient units and buildings and reducing construction costs, either through public bidding reform or by seeking to exempt the project from public bidding requirements, while maintaining Davis-Bacon wage rates, through a Home Rule petition
- Increasing the project-based operating subsidy by establishing rents higher than HUD's Fair Market Rent (e.g. at 110%), which allows the project to take out a larger permanent loan.
- Advocating for potential legislative changes, such as fixing the 4% LIHTC credit rate, which would reduce the gap to approximately \$77,000-\$134,000 per unit, by increasing the amount of LIHTC equity to the project.

Although family housing has a higher per unit total development cost than senior housing, family housing is very attractive to funders in Massachusetts. Family housing could be a catalyst in getting financing for the redevelopment of the elderly units and would assist MHA and the City of Medford in providing much needed, additional affordable family units in the community. The project would also score well in financing applications given the location's access to amenities and public transportation.

Another key element to the project's financing is the use of project-based operating subsidy as it increases the permanent debt available to the redevelopment and provides more deeply affordable housing with tenant rents limited to 30% of a household's income. As of right, MHA can project-base 20% of its Section 8 Voucher authority, which, depending on unit sizes and contract rents, can support approximately 110-150 units with project-based operating subsidy. MHA could potentially augment these resources by using its Faircloth authority to develop 83 of the new units. Using its Faircloth authority, MHA could receive an additional \$428,280 per year that it can apply toward the project's operating subsidy; CHA is exploring whether the subsidy on the Faircloth units can be increased to Fair Market Rents by layering in additional funds. Additional project-based vouchers and/or potentially Faircloth authority can also be received from other agencies, such as DHCD.

Due to the complexity associated with affordable homeownership programs, in terms of financing and program management, the CHA is not recommending that MHA proceed with affordable homeownership opportunities on the Walkling Court site (see Appendix D for research on affordable homeownership).

The report begins with a discussion of the Walkling Court site – its existing conditions and surrounding context – and housing needs in the City of Medford. It then follows with the goals and priorities for the redevelopment of Walkling Court, an overview of the three design scenarios and a discussion of their strengths and weaknesses, and potential financing opportunities. The report concludes by outlining next steps for the redevelopment of Walkling Court.

II. Walking Court – Existing Conditions and Opportunities

Walking Court is a state public housing development for elderly and disabled households that is owned and managed by the MHA. Built in 1963 and located between Auburn and North Streets, Walking Court consists of 144 units in nine two-story buildings on approximately 3.7 acres, conveniently located within walking distance of neighborhood amenities and the future Medford/Tufts Green Line stop. Currently, each building is configured into garden flats, with steps leading to units on the first and second floor.

Walking Court requires a substantial amount of capital repairs given the age of the buildings, including the complete modernization and replacement of kitchens and baths, plumbing and water lines, electrical panels and distribution lines, ventilation systems, and concrete landings and stairs, as well as significant structural repairs to the community center. To reuse the buildings, a complete gut rehabilitation would be required to address these conditions. Any cost savings from repurposing the existing buildings would be minimal and having to keep the existing framing and foundations would limit the possibilities on site. In addition, because of the configuration of the units as garden flats and the lack of elevators, the property is functionally obsolete for the elderly and disabled population that it serves. If the existing buildings are kept, they would have to be converted into family units or retrofitted for accessibility, which can be costly.

Given the property's obsolescence, a complete redevelopment of the site is the appropriate path for Walking Court. The redevelopment of the site allows for the construction of a new building typology – a mid-rise with elevators – that would increase accessibility for elders and persons with disabilities. The construction of replacement senior/disabled units in a mid-rise, which requires a smaller footprint, opens a larger portion of the site for the development of additional housing units to help meet the high demand for affordable housing in Medford.

As a state public housing development, Walking Court is partially supported by the MA Department of Housing and Community Development (DHCD) through an ongoing operating subsidy and an annual capital subsidy. However, the subsidies are inadequately sized to properly maintain the buildings and support its senior and disabled residents; in 2020, the annual operating subsidy amounted to \$393,394 (or \$228 per unit per month) and the annual capital subsidy amounted to \$105,605 (or \$733 per unit per year) in 2021 and \$116,369 (or \$808 per unit per year) in 2022. As such, the redevelopment of the property presents an opportunity to potentially federalize Walking Court and ensure a sustainable operating subsidy in the long-term. Since Walking Court is the only state public housing property remaining in MHA's portfolio, its federalization would further benefit the housing authority by reducing the administrative burdens associated with managing a single state public housing property. There is potential for DHCD to provide a one-time capital grant and/or project-based operating subsidy to help fund the redevelopment, given that they may no longer be paying operating and capital subsidies once the site is federalized.

In addition, the redevelopment of Walking Court presents an opportunity to further leverage federal resources through the MHA's current allocation under the "Faircloth Limit."² The MHA has room under

² ² The Faircloth Limit refers to an amendment to Section 9(g)(3) of the Housing Act of 1937 ("Faircloth Amendment") which limits the construction of new public housing units. The Faircloth Amendment stipulates that HUD cannot fund the construction or operation of new public housing units with Capital or Operating Funds if the construction of those units would result in a new increase in the number of units the public housing agency owned, assisted or operated as of October 1, 1999.

its Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) to add new public housing units while remaining under its “Faircloth Limit”; as of September 30, 2019, Medford has 83 units remaining under the Faircloth limit. The addition of new public housing units and, if applicable, converting them to RAD shortly afterward would benefit the project and MHA by lowering the amount of funding that the MHA or others would need to provide in order to provide project-based subsidy at HUD Fair Market Rents, assuming a layering of subsidy on the Faircloth units is achievable.

A. Walkling Court Site – Neighborhood Context

The maps and images included in this section illustrate the greater context of the Walkling Court site and the different conditions along the site’s perimeter. The site is ideally situated near a variety of neighborhood amenities, including green space, groceries, several bus routes, and the commuter rail.

Walkling Court is surrounded by multiple uses:

- Single to three family wood-frame buildings to the north and east forming a contiguous residential neighborhood
- Concrete/masonry mid-rise commercial office buildings to the south and southeast, with commercial uses including Tufts University, a school of aesthetics, and a self-moving and storage facility
- A large Whole Foods grocery store and smaller commercial ventures abutting to site in the west

In addition to the Whole Foods grocery store, there is a smaller business district about one-third of a mile southeast on Boston Avenue at Winthrop Street, with a donut store, hardware store, pizzerias, café, bakery, and a mini-mart. To the north, within a five-minute walk, the Mystic River winds past the neighborhood providing an accessible greenway with bike paths, community gardens, and recreational amenities. Walkling Court is reasonably convenient to surrounding central business districts: one and one-half miles from the Medford Center, one-half mile from the West Medford Commuter Rail stop servicing Boston to Lowell, one and one-half miles to David Square in Somerville, and three miles from Harvard Square in Cambridge

The neighborhood is well-served by buses operated by the Massachusetts Bay Transportation Authority (MBTA), with service routes connecting to adjacent neighborhood and cities. The MBTA Green Line is currently being extended to College Avenue, which is less than one mile from the site. Future MBTA expansion plans include a new station at the Mystic Valley Parkway within ¼-mile of the site, which could encourage more high-density development adjacent to Walkling Court.

Important for planning purposes, the Boston-Lowell commuter rail line abuts the site to the south. This line also accommodates infrequent freight service. The future Green Line extension is designated to use this railroad right-of-way corridor as well. As part of the redevelopment of the site, the noise levels along the train tracks should be studied and taken into consideration. Residential buildings by railroad right-of-way are common in urban areas and there are ways of mitigating issues related to noise.

The surrounding residential neighborhood exhibits a strong “traditional neighborhood design:” building fronts face public ways, resulting in a strong relationship to the street and sidewalks which increases the visibility of the street and creates safer conditions. Walkling Court has a weak street-front presence, with no frontage on Auburn Street to the north and an oblique orientation of the existing buildings to North Street. The existing site plan retreats from the public street edge. Opportunities exist to restore this relationship to some degree.

Walking Court - Community Context Map



**Lowell MBTA
Commuter Line**

Driving 3 min
Walking 13 min

1/4 mile radius

1/2 mile radius

**WALKING
COURT**

**Green Line Proposed
Extension**

**COLLEGE
AVE (2021)**

- HIGHWAY
- MAJOR ROAD
- ARTERIAL ROAD
- LOCAL ROAD
- ZONING DISTRICT
- PLAYGROUND & PARK
- TOWN LINE
- BIKE PATH OF MYSTIC RIVER CORRIDOR

**West Medford
(existing)**

**TO West
Medford**

TO Arlington

TO Sullivan Sq

TO Victory Park

TO Henry St

TO Medford Sq

TO Harvard

**TO Powder House
Park & Cambridge**

95 326
Bus Route

Bus Route

Driving 5 min
Walking 18 min

Walking Court - Neighborhood Context Map



Lowell MBTA
Commuter Line

Green Line
Phase 2

Bus Route

1/4 mile radius

WALKING
COURT

West Medford
(existing)

Mystic Valley
Parkway
(Future)

TO West
Medford

TO Victory
Park

GR - GENERAL
RESIDENCE

TO Medford Sq

TO Powder
House Park &
Cambridge

TO Harvard

- - - TOWN LINE
- ▭ ARTERIAL ROAD
- ▭ ZONING DISTRICT
- ▭ PLAYGROUND & PARK
- ▭ MYSTIC RIVER CORRIDOR

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Walking Court - Context Photos



1 WALKING CT FROM AUBURN ST



2 VIEW DOWN AUBURN ST



3 PRIVATE RESIDENCE ON WALKING CT



4 CUL-DE-SAC FROM WALKING CT



5 WELL-ESTABLISHED TREES



6 CUL-DE-SAC FROM WHOLE FOODS PATH

WALKING COURT / AUBURN STREET

Walking Court - Context Photos



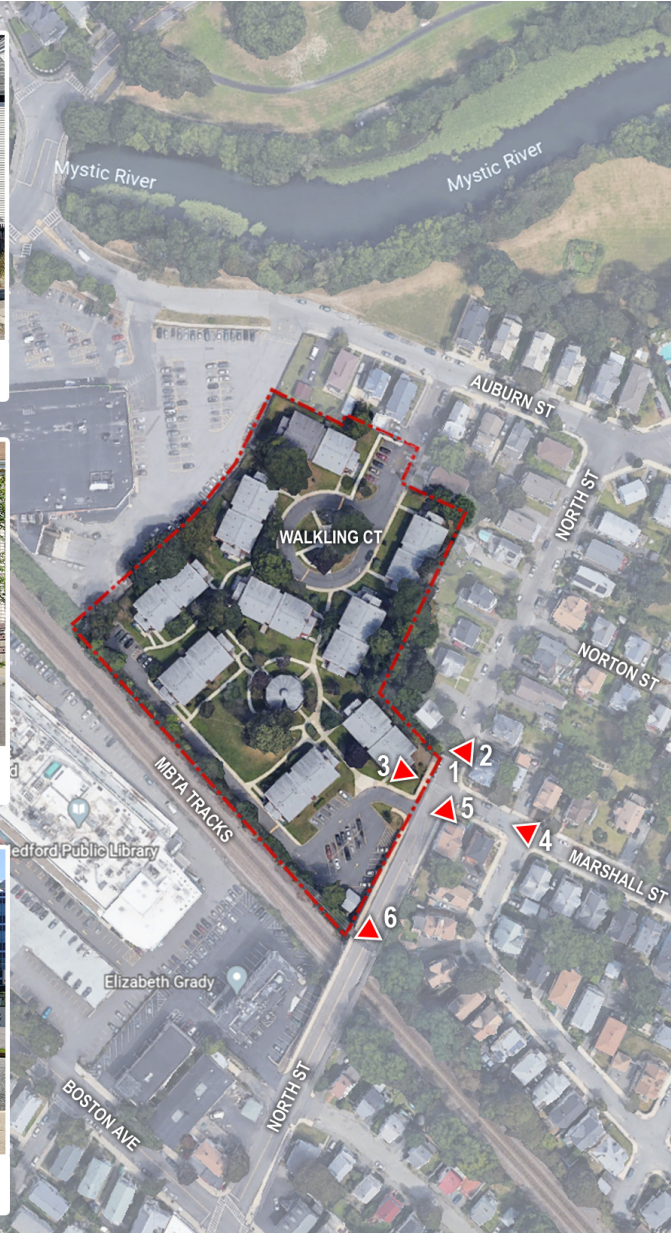
1 VIEW DOWN NORTH ST



3 VIEW DOWN MARSHALL ST - ONE WAY



5 NORTH ST BRIDGE OVER MBTA TRACKS



2 EDGE OF PROPERTY AT NORTH ST



4 VIEW OF WALKLING CT FROM MARSHALL ST



6 VIEW OF TRACKS FROM NORTH ST BRIDGE

MARSHALL STREET / NORTH STREET

Walking Court - Context Photos



1 PANORAMIC VIEW FROM NORTH ST BRIDGE



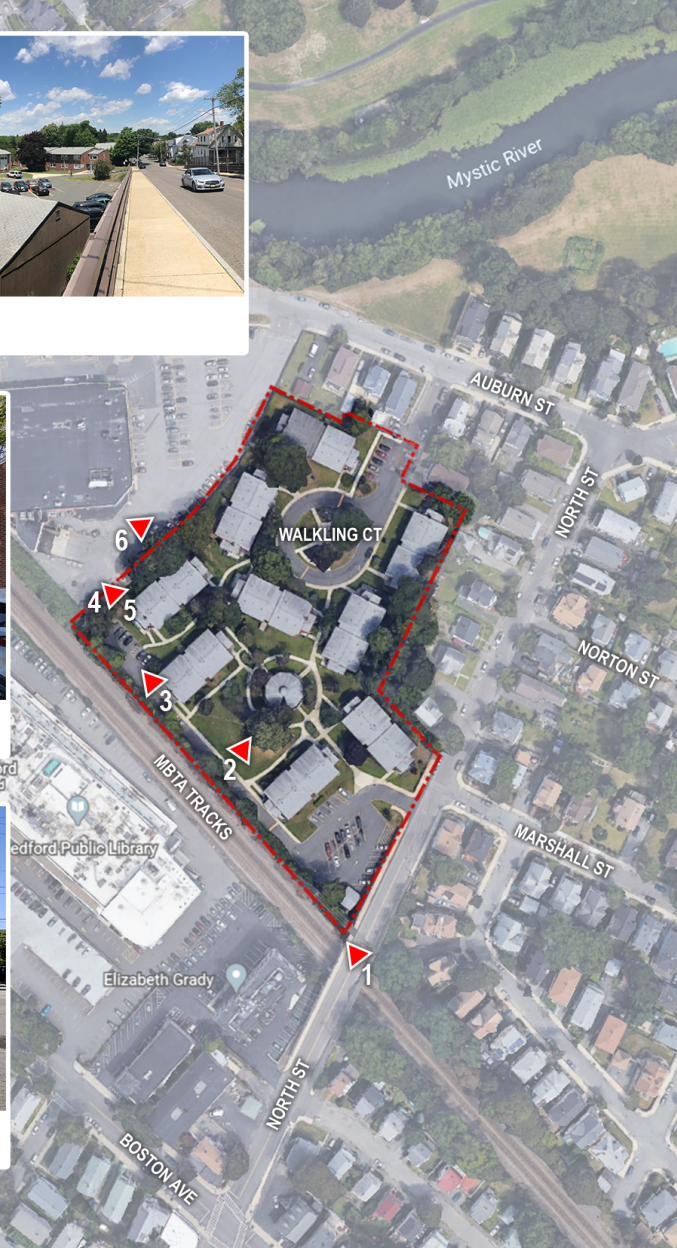
2 COMMUNITY ROOM FROM BACK DRIVEWAY



3 CORNER OF LOT AT WHOLE FOODS



5 WHOLE FOODS LOADING DOCK



4 PROPERTY LINE ALONG WHOLE FOODS



6 WALKLING CT FROM WHOLE FOODS LOT

RAILROAD TRACKS / WHOLE FOODS

Walking Court - Context Photos



5 RIVER OVERLOOK ON PARKWAY



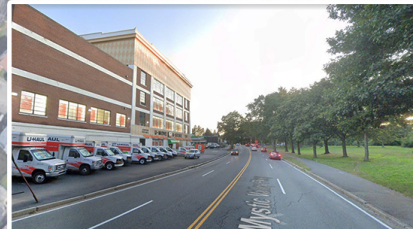
6 WHOLE FOODS FROM AUBURN ST



7 AUBURN ST/PKWY INTERSECTION



8 VIEW DOWN PARKWAY



9 U-HAUL FROM PARKWAY



2 BIKE PATH



1 WINTHROP ST COMMUNITY GARDEN



3 MYSTIC RIVER BIKE PATH



4 MYSTIC RIVER FROM PARKWAY

NEIGHBORHOOD

B. Zoning

The Walkling Court site is zoned as APT-1. The requirements of the underlying zoning are outlined below:

Zoned:	APT-1
Minimum Lot Size:	-.-
Lot Coverage:	Maximum of 30% of lot may be covered by structures.
Landscaped Open Space:	10% of GFA must be landscaped open space, and an additional 25% must be usable open space. Does not include parking and driveways.
Building Height:	Maximum of 3 stories and 35' in height
Parking Required:	0.5 parking space required per handicapped or elderly unit. 1.5 spaces required per unit for other subsidized housing.

Given the fact that the zoning only allows for building heights of maximum 3 stories and 35' in height, which is impractical for buildings with elevators, the redevelopment of Walkling Court will likely require zoning variances in order to achieve project goals.

Under the MA Comprehensive Permit Law, Chapter 40B, there is a process in place that allows developers of affordable housing to seek all required variances through one comprehensive permit. Chapter 40B requires that municipalities and towns in MA provide 10% of its housing stock or 1.5% of its land area for affordable housing. If a municipality or town does not meet this requirement, the local Zoning Board of Appeal (ZBA) is enabled to approve housing developments using a comprehensive permit process and with additional flexibility if at least 20-25% of the proposed units have long-term affordability restrictions; if an application is rejected, a developer can appeal to the Housing Appeals Committee. A developer can also apply for variances using a Comprehensive Permit even if the minimum threshold has been met (referred to as a "friendly 40B"). The comprehensive permit process is less complicated and administratively burdensome than requesting individual variances.

Medford currently has not met its 10% requirement; the City is currently at 7.2%, with active Chapter 40B projects in the construction and planning phases that will increase the subsidized housing inventory over time. However, as mentioned above, this process is available even if the City of Medford meets the minimum threshold in the future.

C. Demographics of Medford, MA

Medford, MA, is located in the Greater Boston area and is part of the region's historically strong job market in healthcare and higher education. Because of its proximity to downtown Boston, the Middlesex Fells Reservation, and the presence of Tufts University, Medford is an attractive place to live, particularly for people between the ages of 20-34, who make up just a little less than a third of the population. Despite this larger group of younger residents, Medford also contends with an aging population. Currently, approximately one fifth of the population is 60 years and older, with another fifth of the population between the ages of 45 and 59. Compared to the rest of the state, Medford has a smaller population of school aged children, which is reflected in a drop in school enrollment over time.

There is a growing shortage of affordable housing in Medford. Both homeowners, who make up 57% of the population, and renters, who make up 43% of the population, are feeling the squeeze. Approximately one-third of renter and owner-occupied households in Medford are cost burdened, paying more than 30% or more of their income on rents. This portion of cost-burdened residents is greatest among renters, where 37% of households pay more than 30% of their income on and 18% of renters pay more than 50% of their income on rent.

The growing shortage of affordable housing is also reflected in the income distribution in Medford. The median income for Medford is \$92,363, with approximately 10.3% of the population living in poverty and 28% of the population earning \$50,000 or below. It is projected that over 9,000 Medford households may be eligible for subsidized housing, with approximately 7,500 households not receiving the assistance that they need and could qualify for.

There is also a mismatch between the type of housing that is available on the market and the types of units that are needed. While 65% of Medford's households are made up of one or two people, only 16.5% of units in Medford have two or fewer bedrooms. In addition, much of the rental stock in Medford is in older structures, which can be more costly and difficult to make accessible for elderly and disabled households and may contain hazardous materials, such as lead paint and asbestos.

Sources: 2014—2018 ACS 5-Year Data Profile; <https://data.census.gov/>; Jennifer Goldson, "Medford Housing Production Plan F Y2021-2024"

D. Medford Housing and Community Development Plans

As part of the analysis, the CHA team reviewed local housing plans to assess community priorities for housing production and relevance to the potential redevelopment of Walkling Court.

"City of Medford: Five-Year Action Plan (2015-2020)" (City of Medford, 2015):

This document highlights several goals related to the MHA and a broader effort to build more affordable housing, including:

- Support for housing developments that use Project-Based Section 8
- Support for housing that leverages state and federal resources
- Development of a Housing Choice Voucher Homeownership Program by the MHA
- Support for creation of more elderly housing; noted that there are elderly homeowners in Medford who want to sell their homes but do not because they cannot find adequate senior housing opportunities
- Support for upgrading conditions in public housing properties
- Encourages the redevelopment of Walkling Court and leverage federal subsidies

"City of Medford: Draft 2020-2024 Consolidated Plan" (City of Medford, 2020):

The City of Medford has released its draft Consolidated Plan for 2020-2024. The City expects to receive \$7,874,340 in CDBG funds over the next five years; it will also receive an additional \$926,445 in 2020 as part of the CARES Act funding.

The CDBG funds are available for both affordable rental and homeownership developments and can be used to cover the following costs:

- Acquisition of sites for affordable housing, rehabilitation, or conversion
- Activities to facilitate private development, such as infrastructure improvements, site clearance and predevelopment soft costs

In 2020, 15% of the CDBG allocation will be used for affordable housing activities. In years 2021-2024, 20% of the CDBG allocation will be used for affordable housing activities.

“Mystic Valley Parkway Greenline Extension: Community Visioning Process” (MAPC, November 2011):

As part of the potential future extension of the Green Line to the Mystic Valley Parkway, MAPC produced this report on behalf of the Massachusetts Department of Transportation, looking at potential areas of future development, including Walkling Court:

- Walkling Court is a key asset for community, which recognizes the need for senior housing.
- MAPC recommended redeveloping the site into two new 3-4 story buildings to provide 195 new senior units, using greater height and density to help offset cost of adding elevators.
- Also encouraged the production of four townhome units for families in need of larger units
- MAPC recommended redeveloping the adjacent Whole Foods lot into a six-story mixed-use building with ground floor commercial anchored by the Whole Foods. The site is owned by Benenson Capital Partners, a New York based real estate company.

City of Medford, Housing Production Plan Video Webinar, June 4, 2020:

The City of Medford is currently in the process of creating a Housing Production Plan (HPP) to identify strategies to better meet the City’s housing needs and produce more affordable housing. A draft will be produced by July/August 2020.

- Medford has not met the 10% subsidized housing inventory requirement under 40B. It is currently at 7.2%. However, there are several 40B and inclusionary development proposals that if approved and constructed could bring Medford’s subsidized housing inventory to 11.9%, even though only a third of the proposed units are rent restricted. Inquiring with City Planning staff about the timing of these proposals would provide a sense of when the City is expected to meet the 10% threshold.
- New housing units should be affordable, smaller, service enriched, and accessible.
- Increase in single-person households. Seniors represent a large group of households living alone. Despite this trend, housing units in Medford skew large.
- City will review zoning requirements as part of HPP process.

E. Medford Housing Authority Waitlist

Medford Housing Authority waiting lists provide great insight into local housing needs in Medford. As is the case with many housing authorities in the Greater Boston area, the demand for housing is higher than the units available. MHA’s federal public housing waiting list is currently closed, while the state public housing and MRVP waitlists remain open. Depending on the unit size that is needed, it can take two to seven years for households on the waiting list to receive a unit.

As of December 5, 2019, the Medford Housing Authority had a total of 3,935 households on its waiting list for federal and state public housing, with the distribution as follows:

Federal waitlist (1,430 applicants)	1-BR	2-BR	3-BR	4-BR	total
Elderly/Disabled	512 (88%)	69 (12%)			581 (40%)
Family	128 (15%)	459 (54%)	229 (27%)	33 (4%)	849 (60%)
State waitlist (2,505 applicants)	1-BR	2-BR	3-BR	4-BR	
Elderly/Disabled*	2,505 (100%)				2,505 (100%)

*Only 1-BRs available at Walkling Court

Most family households on the waitlist are seeking a 2-BR, with 27% seeking a 3-BR and 15% seeking a 1-BR. Among senior households, the majority of households on the waiting list are seeking a 1-BR.

Data from the MHA’s waiting lists in May 2019 provides a snapshot of the incomes of applicants and their household composition. Among the family public housing waiting list, 79% had incomes at 30% of AMI or below; 15% have incomes between 30% and 50% of AMI; and 3% have incomes between 50% and 60% of AMI. Among elderly and disabled applicants on the waitlist, there is a higher proportion of extremely low income households: 88% of households on the elderly/disabled public housing and state public housing waitlist earn 30% of AMI or below and 91% of applicants on the federal and state public housing handicapped waiting list earn 30% of AMI or below. This suggests that in order to adequately support the households on the MHA’s wait list, deep operating subsidies in the form of project-based subsidy are required; a majority of applicants cannot afford Low Income Housing Tax Credit rents, which are set at 30% of what a household earns at 60% of AMI.

In addition, the family households are split 40% families with children, 28% elderly families, and 17% families with disabilities. This suggests that accessible family housing – either flats at ground level or in buildings serviced by elevators – would help serve families with elderly or disabled members.

The Medford Housing Authority’s Leased Housing Department participates in the MassNAHRO Section 8 Waiting List, which has 204,266 applicants as of May 2019. Out of the 1,005 applicants on the list who have a Medford local preference, 57% earn incomes at or below 30% of AMI; 26% are between 30% and 50% AMI; and 11% earn incomes at 60% of AMI or below. Although the incomes are higher than those of applicants on the state and public housing waiting list, the Section 8 waiting list confirms that the greatest demand is for deeply subsidized housing units that are affordable to extremely low-income households.

II. Redevelopment Goals for Walkling Court Site

MHA staff have highlighted the following goals and priorities for the Walkling Court redevelopment:

- Provide accessible, high-quality replacement housing for existing 144 elderly/disabled units in a mid-rise building
- Provide sufficient flexible residential amenity space to provide services for elderly/disabled residents
- Federalize Walkling Court and ensure a sustainable operating subsidy in the long-term
- Provide additional affordable housing on site, but keep units for seniors and family separate
- Design a site that can be successfully managed by the MHA

III. Redevelopment Design Options

Working with MHA, CHA and BH+A have developed three redevelopment options that address the goals set for the project, as well as the site's physical conditions, access points, and surrounding neighborhood conditions. As part of the process, various different redevelopment options were developed and explored; the three that are included in this report represent the strongest proposals based on their ability to meet project goals, address neighborhood conditions, and their overall financial feasibility.

- Given the priority of providing replacement units for the 144 elderly/disabled households on site, the three options presented represent different approaches to siting the senior housing.
- They also present a variety of possible arrangements and total number of senior and family housing, ranging from a total of 206 total units to a high of 238 units. The range of total units on the site is limited based on a desire to maintain a maximum height of six stories for the senior mid-rise, minimize walking distance between units and elevators in the mid-rise due to mobility impairments, and designing additional family units in a manner that responds to the more residential neighborhood to the east and north of the site while maintaining adequate separation between family and senior housing on-site.
- Parking is included a ratio of 0.5 for elderly/disabled units and 1.5 for family housing, with an additional 20 parking spaces for visitors. Currently, with 41 parking spaces, Walkling Court provides parking at a ratio of .28 per unit. Parking unit counts will be carefully analyzed in the predevelopment phase and can be increased or decreased, depending on property needs.
- Appendix C provides reference images of different examples of mid-rise and family developments to be used as a reference.

Although the site layout and massing studies are preliminary and will continue to be refined as the project progresses through the predevelopment phase, each of the three options included in the proposals are viable design options for the site.

In the following section, the CHA recommends that MHA proceed with Design Option 1 for the Walkling Court redevelopment and the design's benefits and drawbacks are discussed in greater detail. Design Options 2 and 3 provide useful alternatives that can be deployed depending on discussions with the Walkling Court residents, abutters, the City of Medford, and funders.

A. Recommended Design Scenario: Design Option 1

The CHA is recommending that the MHA proceed with Design Option 1. In Design Option 1, the senior replacement units are provided in two podium mid-rise buildings – one with five stories and the other with six stories – which run parallel to the railroad right-of-way. These podium buildings are connected to each other through a shared community space and management office on the ground floor. The mid-rise closest to North Street turns toward North Street and activates the street frontage by the bridge. Walkling Court drive acts as a through-street providing access between Auburn and North Street. The entrance to the site from North Street is aligned with existing Marshall Street for a more intentional connection to the neighborhood and a safer intersection. Parking is provided as a combination of covered parking, using a podium construction for the mid-rise, and surface lots.

Two development scenarios for Option 1 are provided, with Option 1B increasing the number of family units through the addition of a mid-rise family building that is located in between the senior mid-rise and townhouse family units to the north. Option 1B provides a useful alternative to consider, especially if the Whole Foods site is redeveloped into a high-density, mixed-use lot.

Phasing and Relocation:

- Phase 1: Senior Mid-Rise
 - Requires demolition of five residential buildings and the community building and the temporary relocation of 80 households.
- Phase 2: Family Development
 - Requires demolition of four residential buildings and relocation of 64 residents. Residents relocating as part of Phase 2 have the option of a one-time move to the senior mid-rise building once completed.

Benefits of Design Option 1:

- Highest number of units: Out of the three options, Design Option 1A and 1B provide the highest amount of density on site, with a total of 228 or 238 units, resulting in a net increase on site of 84 or 94 units. The greater density maximizes the potential for additional affordable housing on site, in turn lowering the per unit total development costs of the project and adding much-needed housing in a transit-accessible, walkable neighborhood.
- Strongest outdoor community space for senior residents: Design Option 1 provides a clearly defined and defensible outdoor community space and courtyard for senior residents that is surrounded by the senior housing complex. In addition, given the length of the senior housing complex, there is a potential to create a walking loop for senior residents, thus providing an additional recreational benefit that promotes a healthy lifestyle.
- Seamless integration into surrounding community: The design and placement of the buildings and the through street opens up the Walkling Court site and ties the new development into the existing neighborhood. Lower-density family housing in the north-west portion of the site helps the development blend into the residential community that borders the site to the north and the east. The mid-rise senior housing on the south-east portion of the site allows the redevelopment to add greater density and height without seeming out of place, as the mid-rise buildings mirror the taller buildings on the other side of the railroad right-of-way and is placed furthest away from the smaller scale residential buildings that abut the site alongside North and Auburn Streets. In

addition, the design of the through-street breaks the site into human-scale blocks that reflect the surrounding neighborhood scale.

- Clear separation between the senior housing and family housing: The extension of Marshall Street from North Street and along the width of the site provides a clear separation between residents of the senior and family housing, without having to use hard barriers such as fencing. An existing public amenity – the pedestrian connection between North Street and Whole Foods – is maintained and enhanced alongside the extension of Marshall Street; the placement of the pedestrian connection alongside a well-lit road helps ensure a safer space.
- Through-street helps with traffic to and from the senior housing: Providing a through-street between Auburn Street and North Street can help ease traffic from the 198-unit senior housing complex. The strategic use of a one-way designation would discourage pass-through vehicular neighborhood access through the site.
- Clear phasing and subdivision plan: The design of the site lends itself well to the division of the redevelopment into two phases, with Phase 1 consisting of senior housing and Phase 2 consisting of the family development. Relocation needs are addressed by providing an opportunity of one-way moves.

Design Option 1 has the following issues for consideration:

- The senior housing is placed alongside the railroad right-of-way (the six-story mid-rise is offset from the right-of-way, with the five-story mid-rise closest to the right-of-way): As the design progresses, the noise or vibration caused by the railroad right-of-way should be studied further and mitigated through the design of the mid-rise and the materials used. As a building typology, a mid-rise is better suited to being closer to the right-of-way than a townhouse construction. In addition, Walkling Court residents will be surveyed about any quality of life issues caused by the right-of-way.
- Option 1A has lowest number of family units: With 30 units, Option 1A has the lowest number of family units, even though the site can accommodate ~40-50 family units. Increasing the number of family units helps with the financing of the development, as it reduces the per unit total development costs and shares fixed costs across a greater number of units. Option 1B has been developed to provide a four-story mid-rise family building alongside the townhomes, increasing the family units to 40. The mid-rise can provide smaller, accessible family units, including 1-BR units – a need in Medford and among applicants on the MHA waitlist.

Design Option 1A

5 story + podium, 4 story + podium

Total Units:	228
Senior Units:	198
Family Units:	30
Mid-rise Family Units:	0
Townhome Family Units:	30
Total Parking Spaces:	164
Senior (.5:1)	99
Family (1.5:1)	45
Visitor	20

- Senior Units
- Family Units
- Community Space / Residential Amenities
- Parking Garage

Walking Court

1 Walking Ct, Medford, MA
Medford Housing Authority / Cambridge Housing Authority

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0' 32' 64' 128'



Design Option 1A

5 story + podium, 4 story + podium

Total Units:	228
Senior Units:	198
Family Units:	30
Mid-rise Family Units:	0
Townhome Family Units:	30
Total Parking Spaces:	164
Senior (.5:1)	99
Family (1.5:1)	45
Visitor	20

- Senior Units
- Family Units
- Community Space / Residential Amenities
- Parking Garage

Walking Court

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Design Option 1B

5 story + podium, 4 story + podium

Total Units:	238
Senior Units:	198
Family Units:	40
Mid-rise Family Units:	24
Townhome Family Units:	16
Total Parking Spaces:	179
Senior (.5:1)	99
Family (1.5:1)	60
Visitor	20

- Senior Units
- Family Units
- Community Space / Residential Amenities
- Parking Garage

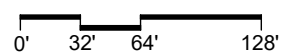
Walking Court

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FEASIBILITY STUDY



Design Option 1B

5 story + podium, 4 story + podium

Total Units:	238
Senior Units:	198
Family Units:	40
Mid-rise Family Units:	24
Townhome Family Units:	16
Total Parking Spaces:	179
Senior (.5:1)	99
Family (1.5:1)	60
Visitor	20

- Senior Units
- Family Units
- Community Space / Residential Amenities
- Parking Garage

Walking Court

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B. Design Option 2

Design Option 2 places the senior replacement units in a podium mid-rise in the west corner of the site along the property-line with Whole Foods and the railroad right-of-way. The senior buildings are arranged in an L-shaped building and offset from the Whole Foods property line and the train tracks, with at-grade parking and an access road acting as a buffer to the railroad right-of-way. No through-traffic between Auburn and North is provided. The entrance to the site from North Street is aligned with existing Marshall Street for a more intentional connection to the neighborhood.

In addition, two types of family housing are provided through low-rise townhouses and/or garden flats and a four-story podium mid-rise, which provides smaller and more accessible units for families.

Phasing and Relocation:

- Phase 1: Senior Mid-Rise
 - Demolition of seven buildings and community space; 112 households to be relocated
- Phase 2: Family Low-Rise and Mid-Rise
 - Demolition of two remaining residential buildings; 32 households to be relocated

Benefits of Design Option 2:

- Defined outdoor community space for the elderly: The senior outdoor community space is enclosed by the L-shaped design of the building. This creates a clearly defined private space for seniors that is protected from the general public and families living on site.
- Buffer is created between the senior building and the loading dock of Whole Foods and railroad right-of-way: Because of the orientation of the L-shaped senior mid-rise, the building is offset from the Whole Foods property line and the train tracks; in addition, at-grade parking and an access road provides a buffer to train proximity. The building's orientation also limits the building's immediate view of the loading dock at the rear of Whole Foods; it can be designed in such a way that it is only directly adjacent to the building's staircase.
- Two types of family housing are provided: Two types of family housing are provided -- smaller scale housing by Walkling Court and an accessible 4-story mid-rise by the North Street bridge. The mid-rise can provide smaller, accessible family units, including 1-BR units – a need in Medford. Smaller scale family housing by Walkling Court helps the development blend in with the surrounding community.
- Integration into surrounding neighborhood fabric: The site layout responds to the surrounding neighborhood conditions and density by placing taller buildings (the senior and family mid-rise buildings) in the north-west portion of the site and low-rise family buildings in the areas that abut the residential neighborhood.
- The addition of a tot lot may provide a benefit to MHA residents and the surrounding community.

Design Option 2 has the following issues for consideration:

- No through-street through the site: Given the placement of the senior building on site, it is difficult to accommodate a through-street that extends Walkling Court to North Street. The lack of a through-street disconnects the various buildings on the Walkling Court site and reinforces the site's closed nature from the rest of the neighborhood. In addition, a through-street may be required by the fire marshal.

- Less defined separation between elderly and families: The senior housing is separated from the family townhomes through shared green space and a path that connects the extension of Marshall Street to the Whole Foods parking lot. This green space presents a softer barrier between the senior building and the family townhomes than the street that is included in Design Option 1.
- More complicated phasing of the redevelopment: The placement of family townhomes in the north of the site and the family mid-rise to the south of the site may potentially complicate efforts to jointly finance the family housing, as the two subdivisions would not be abutting each other. In addition, the construction of the senior housing in the first phase would require demolishing the existing building located where the family mid-rise is being proposed; this cleared area would need to be managed – either as a grass or gravel lawn – prior to the start of construction of Phase 2.

Design Option 2

5 story + podium, 4 story + podium

Total Units:	206
Senior Units:	166
Family Units:	40
Mid-rise Family Units:	24
Townhome Family Units:	16
Total Parking Spaces:	163
Senior (.5:1)	83
Family (1.5:1)	60
Visitor	20

- Senior Units
- Family Units
- Community Space / Residential Amenities
- Parking Garage

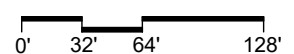
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Design Option 2

5 story + podium, 4 story + podium

Total Units:	206
Senior Units:	166
Family Units:	40
Mid-rise Family Units:	24
Townhome Family Units:	16
Total Parking Spaces:	163
Senior (.5:1)	83
Family (1.5:1)	60
Visitor	20

- Senior Units
- Family Units
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C. Design Option 3

Design Option 3 places the senior replacement units in a podium mid-rise along the property line shared with Whole Foods to the north of the site and continuing as a diagonal across the center of the site. The senior mid-rise building is arranged in a V-shape along the northern section of the site and stepped to provide access to sunlight to the neighboring residences on Auburn Street. Family housing is tucked between the mid-rise and the right-of-way and includes townhomes and an accessible family mid-rise.

Phasing and Relocation:

- 1 Phase: Given the location of the senior housing building on the site, this design scenario involves the demolition and the redevelopment of the site in one phase.

Benefits of Design Option 3:

- Senior housing is placed furthest away from the railroad right-of-way: This design option places the seniors further away from the railroad right-of-way and closer to the residential neighborhood surrounding the site to the north and the east.
- Two types of family housing are provided: Two types of family housing are provided -- smaller scale housing by the railroad right-of-way and an accessible 4-story mid-rise by the North Street bridge. The mid-rise can provide smaller, accessible units, including 1-BR units.
- The addition of a tot lot may provide a benefit to MHA residents and the surrounding community. The tot lot is located by North Street, thus making it more of a public-facing amenity.

Drawbacks of Design Option 3:

- No through-street through the site: Given the placement of the senior building on site, it is difficult to accommodate a through-street through the site that would extend Walking Court to North Street. As with Design Option 2, the lack of a through-street disconnects the various buildings on the Walking Court site and reinforces the site's closed nature from the rest of the neighborhood. In addition, a through-street may be required by the fire marshal.
- Taller building placed by the surrounding residential community: Some may raise objections about the height of the senior mid-rise, given its proximity to the two- to three-story buildings that surround the site and its potential to cast shadows.
- The placement of family housing by the railroad right-of-way is not ideal, given the added difficulty of managing the noise and vibrations of the railroad in smaller-scale buildings.
- Less defined separation between elderly and families: As with Design Option 2, the senior housing is currently separated from the family townhomes through shared green space and a path that connects the extension of Marshall Street to the Whole Foods parking lot. This green space presents a softer barrier between the senior building and the family townhomes than the street proposed in Design Option 1.
- Phasing may not be possible: Given the placement of the senior housing complex on the site, it is likely that this design option would not allow for phasing. This would result in having to demolish all buildings at once and relocate all 144 households on site prior to the start of Phase 1.

Design Option 3

5 story + podium

Total Units:	208
Senior Units:	166
Family Units:	42
Mid-rise Family Units:	24
Townhome Family Units:	18
Total Parking Spaces:	166
Senior (.5:1)	83
Family (1.5:1)	63
Visitor	20

- Senior Units
- Family Units
- Community Space / Residential Amenities
- Parking Garage

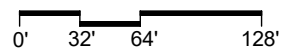
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Design Option 3

5 story + podium

Total Units:	208
Senior Units:	166
Family Units:	42
Mid-rise Family Units:	24
Townhome Family Units:	18
Total Parking Spaces:	166
Senior (.5:1)	83
Family (1.5:1)	63
Visitor	20

- Senior Units
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IV. Preliminary Financing Strategies for Rental Senior and Family Housing

The CHA has developed preliminary financing strategies and scenarios for each of the three redevelopment options and the proposed phasing (see Appendix B). The costs used for the financing scenarios are based on CHA's history of bidding and completing a range of new construction projects, including mid-rise podium structures and town-house family buildings, that meet public bidding and prevailing wage requirements.

The square foot costs used for the different building typologies are:

Mid-Rise (without podium)	\$440
Family Low-Rise	\$420
Mid-Rise with podium	\$465
Mid-Rise with extra elevator	\$450
Mid-Rise with two podium levels*	\$485

* necessary to go above 5 stories and avoid high-rise construction costs

The budgets also include soft costs that are required to bring a project through predevelopment and to closing, including legal, financing, architectural, and developer fees.

In addition to providing preliminary costs, the financing strategies explore different approaches to capital and operating subsidies that are available to help finance the projects. Key takeaways of the financial models so far are:

- The redevelopment of Walkling Court is financeable using project-based operating subsidy, 4% Low Income Housing Tax Credit equity, and permanent loans. Financing gaps of between \$134,000 and \$199,000 per unit are manageable. These can be filled using state and local subsidies and/or potentially lowered if the 4% LIHTC rate is fixed or public bidding relief is granted.
- A driver of construction costs is the gross floor area in a building. Producing more efficient building layouts that economize on the overall square footage for units and common space while creating an attractive and comfortable living space is an important element of managing costs and a potential means of lowering the hard costs. Also contributing to higher construction costs is the podium construction, which allows for covered parking and the construction of up to four residential floors without having to increase the fire rated level of the exterior walls as required for high-rise construction. Providing two levels of podium construction allows for a sixth story in the senior mid-rise and an additional 22 units. The cost of adding a 6th floor is estimated at around \$369,600 due to the addition of a second level of podium construction.
- Total development costs per unit are lower for the senior housing components than for the family components. This is because the senior component consists of a larger number of units, which means it can more easily carry high construction costs.
- The construction costs for family units are also driven by the fact that family units are on average larger than senior units.
- Family housing is very attractive to funders in Massachusetts and could be a catalyst in getting financing for the redevelopment of the elderly units. The project would score well given its location and access to amenities and public transportation.

A. Funding Sources

- Low Income Housing Tax Credit: The main source of financing for affordable housing development is the Low Income Housing Tax Credit (LIHTC) program. The LIHTC is split between two types of credits – the 4% LIHTC and the 9% LIHTC.
 - 4% LIHTC:
 - The 4% LIHTC is provided to projects that receive a Private Activity Bond allocation from MassDevelopment or MassHousing, the two allocating agencies in MA. However, Private Activity Bonds are highly sought after in MA and projects must petition for an allocation.
 - In order to qualify for the 4% LIHTC, it is projected that Walkling Court would require around \$49-58 million in Private Activity Bonds for Phase 1 (senior mid-rise) and around \$10-14 million in Private Activity Bonds for Phase 2 (family development).
 - The amount of 4% LIHTC credits provided to a project is determined by the amount of eligible costs included in the project budget. The credits are sold to a Limited Investor in return for equity to the project. In the Walkling Court budgets, we are modeling the 4% LIHTC credit at \$0.95 per credit for the LIHTC pricing.
 - Walkling Court is located in a HUD-designated Difficult Development Area, which provides a 130% boost to the LIHTC credits.
 - 9% LIHTC:
 - The 9% LIHTC is awarded to projects by DHCD through highly-competitive annual funding competitions. Production projects that build new family housing in urban areas and close to public transit score well and we expect that a family component at Walkling Court would be competitive.
 - Annual credits are limited to \$250,000 per new unit produced in the Greater Boston area; the maximum annual allocation per project in 2020-2021 is \$1 million. This credit cap makes the funding source less attractive than the 4% LIHTC, which can generate a larger amount of credits. As such, none of the financing scenarios for Walkling Court include a stand-alone 9% LIHTC component.
 - Combining 4% and 9% LIHTCs: A combined 4% and 9% LIHTC project can receive the benefit of the 9% LIHTC equity, while capitalizing on the full amount of LIHTC credits generated by the 4% credit. However, the 9% credit is highly competitive, and it may take several years to secure an award of 9% credits and receive a Private Activity Bond allocation needed for the 4% credits. Treating the redevelopment as one project also produces some efficiencies and may lead to modest cost savings with costs spread over two projects. This structure requires the use of condominiums to separate the two types of financing. In addition, this would entail one phase of demolition and relocation.
- Permanent loan: A permanent loan was modeled in each financing scenario based on a 4.5% interest rate, a 1.15 debt service coverage ratio, a 40-year amortization/term for the senior housing, and a 30-year amortization/term for the family housing. A longer amortization increases the project's permanent loan amount. However, given the fact that family housing receives more wear and tear, it is likely that family housing would require a refinancing and rehabilitation earlier than senior housing. Lowering the amortization of a loan associated with family housing

reduces the complications of having to address an existing loan during future comprehensive rehabilitation projects.

- Potential local and state funding subsidies: The CHA is exploring local and state funding options that can be used to help finance the project. Below are sources that have been identified as possible fits:
 - DHCD Capital Grant: In return for closing out MHA's state public housing program, DHCD may be willing to provide a capital grant to the project in the amount of the future operating subsidy that DHCD would have otherwise had to provide. Using the 2020 operating subsidy of \$393,394 and the 2022 capital grant allocation of \$116,368 and projecting it over 15 years, with a 2% annual inflation, results in a one-time grant of approximately \$9.5 million.
 - MA State Low Income Housing Tax Credits (SLIHTC): DHCD allocates the SLIHTC competitively through annual funding competitions. Per the 2020-2021 Qualified Allocation Plan, DHCD asks projects with 100 units or more to limit their allocation to \$1,500,000. With an estimated credit price at \$0.85, that would raise approximately \$6.4 million for Walkling Court.
 - MA Affordable Housing Trust Fund (AHTF) makes funding available to affordable housing projects, with an emphasis on projects that produce more units and provide family housing. The AHTF is a potential funding source for the family component. Statutorily, the subsidy is limited to a maximum of \$2 million per project.
 - Community Development Block Grant (CDBG) funds administered by the City of Medford can be used for housing construction, infrastructure improvements, site clearance and predevelopment soft costs.
 - The City of Medford has a Community Preservation Act (CPA) fund that provides support to local projects and represents an opportunity to leverage local resources.
 - Commercial Area Transit Node Housing Program (CATNHP) is a state subsidy for transit-oriented development projects. It is available to projects within .25 miles of an existing or planned public transit station and could be used as a potential source if the Green Line extension to the Mystic River Parkway moves forward. The source is limited to a maximum of \$1,000,000 per award.
 - Facilities Consolidation Fund (FCF)/ Community Based Housing (CBH): FCF/CBH funding is provided to support projects that help serve vulnerable populations, such as the disabled and clients of the Departments of Mental Health or Developmental Services. Awards are based on 50% of the total development costs for eligible units.
 - Affordable Housing Preservation and Development Fund (AHDF): AHDF supports the production of new rental housing for extremely low-income households with two more persons.
 - MA Brownfield Tax Credits: The MA Brownfield Tax Credit Program provides eligible nonprofits with tax credits for the costs incurred in a brownfields remediation project on contaminated sites. Given the urban location of Walkling Court, it is likely to qualify for the program. The credits are sold to an investor to raise equity and is based on either 50% of the net response and removal qualified costs or 25% of the net response and removal qualified costs if there is an Activity and Use Limitation.
- Filling the state/local funding gap: Currently, the pro formas are showing a gap of \$134,000 to \$199,000 per unit. The funding gap is larger for family housing (\$174,000-\$199,000) than it is for senior housing (around \$134,000-\$147,000 per unit). Although the amount of state/local subsidy needed per unit is reduced when the number of units is increased, the overall total subsidy

increases as the number of units is higher. At its highest, \$26.5 million is needed in state/local subsidy for Phase 1 of Design Option 1.

- As a guide, affordable housing developers typically seek to structure their projects so that the gap for state/local funding is \$100,000 or less. If one backs out the DHCD capital grant (provided in return for future operating and capital subsidy), the gap for state/local funding is around \$88,000 for the senior housing development, while the funding gap for families remains around \$174,000 to \$199,000 per unit.
- To cover the funding gaps of more than \$100,000 for the family units, an agency soft loan may need to be provided to the project. At \$99,000 for 40 family units, the agency loan would amount to approximately \$3.96 million. This loan would be paid back with interest out of available property cash flow during operations or from proceeds from a refinance.
- The funding gap can also be lowered by lowering construction costs (by building more efficient units and buildings), increasing the 4% credit rate (see Section D), or by increasing the project-based subsidy, which is discussed in greater detail below.
- Lowering the unit counts can also be used to lower the total subsidy needed from local and state funding partners, although it will reduce the total amount of permanent debt that the property can take on and increase per unit total development costs.

B. Operating Subsidy

- The project assumes rents at 100% of the HUD Fair Market Rent (FMR), and the potential of a project-based subsidy for both senior and family units. MHA can project-base 20% of its Section 8 Voucher program authority, which is approximately \$2.67 million. Project-based subsidy can also come from other agencies, such as DHCD's Section 8 Voucher program.
 - Project-based operating subsidy is based on 100% of FMR. If increased to 110% of FMR, the financing gap that needs to be filled is reduced from \$134,000-\$199,000 to \$97,000-\$166,000.
- Using a project-based subsidy in affordable housing presents two main benefits:
 - It more adequately supports extremely and very low-income households. Unlike LIHTC rents, which are set at what is considered affordable for a household earning 60% of AMI, the project-based subsidy limits a resident's rent to 30% of his/her income. This helps ensure that the unit is affordable to residents earning well below 60% of AMI, where affordable housing needs are the greatest.
 - Because the Fair Market Rents are higher than LIHTC rents (for a 1-BR unit, the rent differential is \$500 per unit per month; for a 2-BR unit, the rent differential is \$630 per unit per month), it increases the amount of debt that a project can take on. For example, a 144-unit senior building, with the use of project-based subsidy at 100% of the HUD FMR, can support \$31.98 million in permanent debt (using a 40-year term and 4.5% interest rate). A 144-unit LIHTC building can only support \$15.91 million in rents. The FMR rents can support an additional \$16 million in debt than the LIHTC rents.
- For a senior building of 144 units, with 137 1-BRs and 7 2-BRs, providing project-based subsidy at 100% of FMR requires approximately \$2.66 million annually (accounting for tenant rental income at approximately \$380 per unit per month). There are strategies for layering other funds to lower the amount of funding required from the housing authority or others down to \$1.83 million annually:

- Fairecloth Authority: MHA has 83 units remaining under its Fairecloth limit, as discussed earlier in the report. If it were to build 144 units as public housing units that are immediately converted to RAD, it could leverage public housing operating subsidy funding from HUD to partially cover the project based voucher subsidy for the property; using \$430 per unit per month for 83 of the 144 units as an example, MHA could receive \$428,280 annually to support Walkling Court. Under RAD using Project-Based Vouchers (PBV), MHA would also receive a monthly \$90 per unit administrative fee in addition to the \$430; on an annual basis, for 83 units, the administrative fee would equal \$89,640. Note that under RAD, MHA would need to offer residents a Section 8 voucher after a year (“Choice Mobility”).
- Continued DHCD operating subsidy: In 2020, the annual DHCD operating subsidy at Walkling Court amounted to \$393,394 (or \$228 per unit per month). As part of the redevelopment, MHA can request that DHCD continue to provide ongoing subsidy to the building, which would help lower the amount of funding that the MHA would need to provide to the project to support PBVs at 100% of FMR if the layering of subsidy is possible. Alternatively, MHA could also ask DHCD to project base their vouchers in the development in return for not providing continued state public housing operating assistance or, as described above, provide a one-time capital grant.

C. Operating Costs

- Operating costs were modeled at \$9,000 per unit for seniors and \$10,000 per unit for family units, in order to account for the higher wear and tear associated with operating family units.
- No utility allowances are used for senior units. In our experience, it is most effective to centrally manage utilities for seniors. For family units, a utility allowance was provided for electric lighting and cooking, based on the MHA Section 8 utility allowance schedule.

D. Legislative Opportunities

There are active legislative proposals that, if enacted, will greatly benefit the redevelopment of Walkling Court.

- Fixing the 4% LIHTC Applicable Federal Rate (AFR): When calculating the amount of LIHTC credits that a project is eligible for, a credit rate is applied to the project’s eligible basis. The credit rate for the 9% LIHTC is fixed at 9%; however, the 4% credit rate is floating and because it is tied to market conditions, it fluctuates and introduces uncertainty into the process. There is strong support and advocacy for fixing it at 4%. Given that we are modeling the AFR at 3.19%, fixing the AFR to 4% would increase the 4% LIHTC equity raise by approximately \$9 million for a senior development component and approximately \$2.5 million for the family housing development component.
- Lowering or eliminating the need for Private Activity Bonds: In addition, affordable housing advocates are seeking to lower the amount of Private Activity Bonds needed for a project to qualify for the 4% credit. Currently, half of a project’s eligible costs need to be funded using Private Activity Bonds (called the 50% test). Lowering the 50% test would allow projects to go forward at a quicker pace, especially in states where the Private Activity Bond program is

popular. Congresswoman Katherine Clark's office has also crafted a legislative proposal, with assistance from the CHA, to exempt the development and rehabilitation of federally-assisted housing from requiring the use of Private Activity Bonds in order to qualify for the 4% LIHTC.

- Exemption from public bidding requirements: Over the past two years, the CHA has conducted reviews of comparable non-public projects in Cambridge and a comparison of costs between CHA publicly procured projects and Boston Housing Authority home rule projects (i.e. projects that are exempt from public procurement, but not prevailing wage). In both instances, the review concluded that the public procurement premium is at a minimum between 20% and 25%. This premium is accounted for in the preliminary costs that are modeled for Walkling Court. In order to avoid the public procurement premium, MHA could seek a Home Rule petition for procurement relief (while maintaining prevailing wages). This form of procurement relief would require that a majority of the City Councilors vote in favor of exempting a project or all MHA projects from state procurement. Once the City Councilors vote in favor, it moves forward to the state legislature for action. Typically, the bill moves through with the backing of a City's delegation in both chambers.

V. Immediate Next Steps for Redevelopment of Walkling Court

This section of the report outlines the next steps for the redevelopment of Walkling Court. Prior to beginning a public process with Walkling Court residents and abutters, we recommend that the MHA meet with DHCD to discuss potential plans to redevelop Walkling Court into new senior and family housing and to federalize the property as part of the redevelopment. We recommend that the conversation include a discussion on how DHCD can support the redevelopment of Walkling Court, through either a capital contribution, continued operating subsidy, project-based operating subsidy, or through a combination of approaches. The brochure describing the redevelopment program that is being prepared will be very useful in these early conversations with DHCD since it will show the full potential of the Walkling Court site.

Once conversations have been initiated with DHCD, the CHA recommends that MHA meet with the following parties:

- State allocating agencies (MassDevelopment and/or MassHousing Finance Agency), to discuss the availability and timing of a Private Activity Bond allocation, which is necessary to trigger 4% LIHTCs. Given the fact that Phase 1 will require \$49-58 million in Private Activity Bonds, we expect that 2022 is the soonest that the project could potentially receive an allocation, but it is likely that it could receive an allocation later than that. DHCD may be able to advise which allocating agency might be best suited for the Walkling transaction.
- City of Medford, to discuss the potential approach to a redevelopment of the site with a high level discussion of zoning considerations, the availability of local funds (such as CPA or CDBG funds), and timing.

A through process of community engagement with Walkling Court residents will be a critical part of the redevelopment process. The CHA recommends that MHA begin engaging Walkling Court residents once the financial feasibility and timing of the project is confirmed. This will be informed by the timing of a potential allocation of Private Activity Bonds, the comprehensive permit process through Chapter 40B, and DHCD support for the project. Once this has been determined, the CHA recommends that MHA meet with residents of Walkling Court, starting with a general conversation about a potential redevelopment of the site and a survey of existing conditions. At the same time, MHA would issue a Request for Proposals for an architect and once selected, work with the architect to design and commence a community engagement process for residents.

The longer-term predevelopment process prior to the closing on construction finance and equity will include the following activities:

- Creating a Local Designer Selection Committee to oversee the designer selection process
- Issuing a design consultant RFP(s) and selecting the design team
- Continuing the community engagement process with Walkling Court residents
- Finalizing DHCD support and applying for state soft subsidy
- Receiving Private Activity Bond allocation from a state allocating agency
- Applying for local funds
- Engaging abutters and the greater community to review the redevelopment plans

- Applying for and receiving zoning variance through the Chapter 40B comprehensive permit process
- Guiding design team through the development of schematic and construction drawings
- Bidding the project to a Construction Manager At Risk (CMAR) and working with selected CMAR to finalize design scope and drawings;
- Potentially seeking a Home Rule exemption for public bidding requirements
- Issuing equity and lender RFP and selecting equity investor and lenders
- Working with legal and funding team to close on the construction financing, equity, and begin construction

Appendix A: Summary Matrix of Redevelopment Scenarios

Walking Court						
July 22, 2020						
SUMMARY OF OPTIONS						
	Existing Conditions	Option 1A	Option 1B	Option 2	Option 3	Zoning
	9x 2 story building	5 story + podium, 4 story + podium	5 story + podium, 4 story + podium	5 story + podium, 4 story + podium	5 story + podium	Apartment 1 / APT-1 (residential)
Total Units	144	228	238	206	208	
# Accessible Senior Units	72	198	198	166	166	
# Non-accessible Senior Units	72	0	0	0	0	
# Mid-rise Family Units	0	0	24	24	24	
# Townhome Family Units	0	30	16	16	18	
Total # of Parking Spaces	41	164	179	163	166	
Senior Parking (.5 per unit)	.28 spaces per unit	99	99	83	83	0.5 spaces per senior unit / 1.5 spaces per family unit
Mid-rise Family Parking (1.5 per unit)		0	36	36	36	
Townhome Family Parking (1.5 per unit)		45	24	24	27	
Visitor Parking		20	20	20	20	
Type IIIB Construction		x	x	x	x	
Max. # Stories	2	6	6	6	6	3
Height	approx. 20'	60'	60'	60'	60'	35' max.
Garage Area	0	29,600	38,050	30,810	32,450	0
Gross Floor Area (GFA)	89,704	218,680	232,520	200,430	213,785	171,500
Floor Area Ratio (FAR)	0.47	1.15	1.22	1.05	1.12	0.90
Lot Coverage %	24%	28%	28%	25%	25%	30% max
Open Space %	125%	41%	38%	49%	47%	35% min
Community Space & Residential Amenities	2,300	5,000	5,000	5,000	5,000	

Appendix B: Preliminary Sources & Uses for Three Development Options

OPTION 1A: 228 units total (198 senior & 30 family)				
	Senior mid-rise	per unit	Family rental	per unit
	198 units (95% 1-BRs & 5% 2-BRs)	198	30 units (70% 2-BRs and 30% 3-BRs)	30
Sources				
4% LIHTC (\$.95/credit)	\$44,017,612	\$222,311	\$7,556,397	\$251,880
Permanent loan (4.50%, 40 year amort for senior; 30 year amort for family)	\$44,830,000	\$226,414	\$7,729,000	\$257,633
State/local subsidy (see below)	\$26,563,992	\$134,162	\$5,422,561	\$180,752
Total	\$115,411,605	\$582,887	\$20,707,959	\$690,265
Uses				
Construction	\$90,265,140	\$455,885	\$14,721,000	\$490,700
Financing Fees	\$4,969,822	\$25,100	\$1,055,161	\$35,172
Soft Costs	\$10,713,399	\$54,108	\$2,773,117	\$92,437
Reserves	\$942,117	\$4,758	\$192,485	\$6,416
Dev Fee	\$8,521,127	\$43,036	\$1,966,196	\$65,540
Total	\$115,411,605	\$582,887	\$20,707,959	\$690,265
Potential State and Local Subsidies				
MA State LIHTC (\$.85 credit)	\$6,384,284	\$32,244		
Brownfield Tax Credits	\$2,400,000	\$12,121		
DHCD Subsidy	\$9,500,000	\$47,980		
Commercial Area Transit Node Housing Program	\$1,000,000	\$5,051	\$1,000,000	\$33,333
Facilities Consolidation Fund/Community Based Housing	\$1,500,000	\$7,576	\$1,500,000	\$50,000
Community Development Block Grant	\$1,500,000	\$7,576		\$0
Affordable Housing Preservation and Development Fund	\$1,000,000	\$5,051	\$1,000,000	\$33,333
Deferred Developer Fee	\$979,708	\$4,948		\$0
Affordable Housing Trust Fund	\$2,000,000	\$10,101	\$1,500,000	\$50,000
Medford Community Preservation Act	\$300,000	\$1,515	\$422,561	\$14,085
Remaining gap	\$0	\$0	\$0	\$0

OPTION 1B: 238 units total (198 senior & 40 family)				
	Senior mid-rise	per unit	Family rental	per unit
	198 units (95% 1-BRs & 5% 2-BRs)	198	30 units (15% 1-BRs, 70% 2-BRs, and 15% 3-BRs)	40
Sources				
4% LIHTC (\$.95/credit)	\$44,017,612	\$222,311	\$9,297,000	\$232,425
Permanent loan (4.50%, 40 year amort for senior; 30 year amort for family)	\$44,830,000	\$226,414	\$10,244,111	\$256,103
State/local subsidy (see below)	\$26,563,992	\$134,162	\$7,995,289	\$199,882
Total	\$115,411,605	\$582,887	\$27,536,400	\$688,410
Uses				
Construction	\$90,265,140	\$455,885	\$20,542,200	\$490,700
Financing Fees	\$4,969,822	\$25,100	\$1,055,161	\$35,172
Soft Costs	\$10,713,399	\$54,108	\$3,303,955	\$92,437
Reserves	\$942,117	\$4,758	\$192,485	\$6,416
Dev Fee	\$8,521,127	\$43,036	\$2,442,599	\$65,540
Total	\$115,411,605	\$582,887	\$27,536,400	\$688,410
Potential State and Local Subsidies				
MA State LIHTC (\$.85 credit)	\$6,384,284	\$32,244		
Brownfield Tax Credits	\$2,400,000	\$12,121	\$500,000	\$12,500
DHCD Subsidy	\$9,500,000	\$47,980		
Commercial Area Transit Node Housing Program	\$1,000,000	\$5,051	\$1,000,000	\$25,000
Facilities Consolidation Fund/Community Based Housing	\$1,500,000	\$7,576	\$1,500,000	\$37,500
Community Development Block Grant	\$1,500,000	\$7,576	\$1,000,000	\$25,000
Affordable Housing Preservation and Development Fund	\$1,000,000	\$5,051	\$1,000,000	\$25,000
Deferred Developer Fee	\$979,708	\$4,948	\$645,289	\$16,132
Affordable Housing Trust Fund	\$2,000,000	\$10,101	\$2,000,000	\$50,000
Medford Community Preservation Act	\$300,000	\$1,515	\$350,000	\$8,750
Remaining gap	\$0	\$0	\$0	\$0

OPTION 2: 206 total (166 senior & 40 family)				
	Senior mid-rise	per unit	Family rental	per unit
	166 (95% 1-BRs and 5% 2-BRs)	166	40 units (15% 1-BRs, 70% 2-BRs, and 15% 3-BRs)	40
Sources				
4% LIHTC (\$.95/credit)	\$37,261,504	\$224,467	\$10,231,989	\$255,800
Permanent loan (4.50%, 40 year amort for senior; 30 year amort for family)	\$36,868,000	\$222,096	\$9,397,000	\$234,925
State/local subsidy (see below)	\$23,471,921	\$141,397	\$7,827,138	\$195,678
Total	\$97,601,425	\$587,960	\$27,456,126	\$686,403
Uses				
Financing Fees	\$3,871,062	\$23,320	\$1,075,447	\$26,886
Soft Costs	\$9,384,158	\$56,531	\$3,290,550	\$82,264
Reserves	\$821,234	\$4,947	\$262,840	\$6,571
Dev Fee	\$7,286,990	\$43,898	\$2,432,090	\$60,802
Total	\$97,601,425	\$587,960	\$27,456,126	\$686,403
Potential State and Local Subsidies				
MA State LIHTC (\$.85 credit)	\$6,384,284	\$38,460		
Brownfield Tax Credits	\$1,500,000	\$9,036	\$900,000	\$22,500
DHCD Subsidy	\$9,500,000	\$57,229		
Commercial Area Transit Node Housing Program	\$1,000,000	\$6,024	\$1,000,000	\$25,000
Facilities Consolidation Fund/Community Based Housing	\$1,500,000	\$9,036	\$1,500,000	\$37,500
Community Development Block Grant	\$1,500,000	\$9,036	\$1,000,000	\$25,000
Affordable Housing Preservation and Development Fund	\$1,000,000	\$6,024	\$1,000,000	\$25,000
Deferred Developer Fee				
Affordable Housing Trust Fund	\$1,087,637	\$6,552	\$2,000,000	\$50,000
Medford Community Preservation Act			\$427,138	\$10,678
Remaining gap	\$0	\$0	\$0	\$0

OPTION 3: 208 total units (166 senior & 42 family)				
	Senior mid-rise & family rental combined	Per unit	Family rental	Per unit
	166 units (95% 1-BRs & 5% 2-BRs)	166	42 units (15% 1-BRs, 70% 2-BRs, and 15% 3-BRs)	42
Sources				
4% LIHTC (\$.95/credit)	\$37,308,204	\$224,748	\$10,613,707	\$252,707
Permanent loan (4.50%, 40 year amort for senior; 30 year amort for family)	\$37,585,000	\$226,416	\$9,912,000	\$236,000
State/local subsidy (see below)	\$24,413,252	\$147,068	\$7,314,674	\$174,159
Total	\$99,306,456	\$598,232	\$27,840,381	\$662,866
Uses				
Financing Fees	\$3,895,399	\$23,466	\$1,060,663	\$25,254
Soft Costs	\$9,509,608	\$57,287	\$3,327,127	\$79,217
Reserves	\$942,117	\$5,675	\$192,485	\$4,583
Dev Fee	\$7,397,512	\$44,563	\$2,463,807	\$58,662
Total	\$99,306,456	\$598,232	\$27,840,381	\$662,866
Potential State and Local Subsidies				
MA State LIHTC (\$.85 credit)	\$6,384,284	\$38,460		
Brownfield Tax Credits	\$1,528,968	\$9,211	\$500,000	\$11,905
DHCD Subsidy	\$9,500,000	\$57,229		
Commercial Area Transit Node Housing Program	\$1,000,000	\$6,024	\$1,000,000	\$23,810
Facilities Consolidation Fund/Community Based Housing	\$1,500,000	\$9,036	\$1,500,000	\$35,714
Community Development Block Grant	\$1,500,000	\$9,036	\$1,000,000	\$23,810
Affordable Housing Preservation and Development Fund	\$1,000,000	\$6,024	\$1,000,000	\$23,810
Deferred Developer Fee				
Affordable Housing Trust Fund	\$2,000,000	\$12,048	\$2,000,000	\$47,619
Medford CPA funds			\$314,674	\$7,492
Remaining gap	\$0	\$0	\$0	\$0

Appendix C: Image Board - Mid-Rise and Podium Buildings



Appendix C: Image Board - Family Buildings



Appendix D: Research on Homeownership Family Units

As part of the redevelopment of Walkling Court, the CHA explored opportunities to provide affordable homeownership units for families. Typically, affordable homeownership opportunities have affordability restrictions that apply to the future sale of the home to ensure that it is affordable to subsequent buyers. In researching and discussing the potential of homeownership units with MHA staff, we arrived at the following benefits and drawbacks of pursuing homeownership family units at Walkling Court:

Benefits:

- Meets need for affordable homeownership opportunities in Medford
- May help with securing buy-in from neighboring residents, although this needs to be confirmed
- Allows first-time homeowners to remain in Medford and stabilizes the community as rents and sales prices increase

Challenges:

- Few funding resources available to bridge ~\$250,000-\$300,000 per unit gap between cost of constructing the home and the restricted sale price of the home
- Ability to sell units is dependent on the strength of the market
- Limited wealth-building opportunity for homeowner due to restricted resale price
- Requires ongoing program management and/or a partnership to manage a pipeline of potential homeowners and provide support to first time homebuyers to ensure that they are successful. If a unit turns over, policies need to be in place to ensure that the unit continues to remain affordable to the next household.
- Need to consider putting policies or structures in place to ensure ongoing building maintenance, either through covenants or a condominium association. Few owners of affordable units have access to the capital needed to do larger capital repairs, especially when they are unforeseen. Successful affordable homeownership programs need to be paired with funding available to assist with larger capital repairs.
- Need to understand demand for affordable homeownership models to assess marketing and sale risks. Depending on the market and availability of debt to homebuyers, the including of homeownership units may increase the risks of a project.

Potential Duplex Homeownership/Rental Hybrid Model

A potential model for a homeownership project is a hybrid homeownership/rental model in which a homeowner purchases a duplex-style building, with one unit used as an owner-occupied unit and the second unit rented to an MHA Section 8 Mobile Voucher holder. The CHA is continuing to explore ways in which to structure this model so that participants can receive some economic benefit from homeownership.

- Soft subsidy provided by MHA or others to cover ~\$250,000-\$300,000 gap. Soft subsidy provided to homeowner in return for the homeowner renting the second unit in the duplex to a household with a Section 8 Voucher.
- The homeowner can use a portion of the income received from the Section 8 Voucher rent, after operating expenses have been paid, to pay monthly debt service on the soft subsidy. This builds in a way to pay back the provider of the soft subsidy.

- Potentially, a portion of the Section 8 Voucher rent that is remaining after operating expenses and debt service on the soft subsidy have been paid can go to the homeowner as a fee associated with leasing the unit.
- Housing authority benefits by giving Section 8 voucher holders an opportunity in Medford (instead of the voucher holder taking the voucher to another town/city).

This model requires further exploration but may provide a model of housing that provides both homeownership opportunities and rental housing. However, given the challenges and complexity of affordable homeownership opportunity, the CHA is recommending that MHA proceed with Walking Court as a rental project.