REPORT OF SHOPC/CAPITAL PLANNING COMMITTEE SUBCOMMITTEE ON

21 HIGHLAND ST. [AFFORDABLE HOUSING]

March 21, 2023

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I. INTRODUCTION

The 21 Highland Street Affordable Housing Subcommittee (the "21 Highland Subcommittee" and sometimes referred to herein simply as the "Subcommittee") is an ad hoc joint subcommittee of the Southborough Housing Opportunity Partnership Committee (SHOPC) and the Southborough Capital Planning Committee (CPC). On June 12, 2021, the Southborough Select Board created the 21 Highland Subcommittee to assess the Town-owned property at 21 Highland Street (the former South Union School) for potential redevelopment as affordable/market rate housing.

The Town of Southborough Housing Production Plan produced in April 2020, and approved by the Massachusetts Department of Housing and Community Development (DHCD) on August 25, 2020 (the "Housing Production Plan") recognized affordable housing as a critical need of the Town. According to the Housing Production Plan, 26% of households in Southborough are cost burdened (paying more than 30% of their income on housing costs). Among other factors cited, most new housing produced in Southborough over recent decades has consisted of larger and more expensive single-family homes. There is now a dearth of other housing options available to households of varying income levels, and the cost of housing in Southborough has become beyond the reach of even comparatively higher income households. As outlined in the Housing Production Plan, households with an annual income as high as $100,000.00 cannot afford to purchase even an entry level house in Southborough, and are only just at the income level necessary to afford the rent for a market rate apartment in Southborough.[1] Almost 50% of the jobs in Southborough are in industries where average wages are below the income required to afford housing in the town (including jobs in education, the town's largest employment sector).[2] Households with earners in traditionally moderate income vocations such as construction, retail, health care, administrative services, and food service—even those earning wages as high as $80,000.00 per annum—are below the income threshold needed to access market rate housing in Southborough.[3]

This situation is resulting in a shortage of available housing options for young adults, families, local workers, and single households, which threatens to inhibit economic growth and has created adverse demographic trends. The concentration of families with school-aged children has declined, as has (correspondingly) the number of school aged children.[4] Conversely, the number of adults over the age of 50 has grown consistently, and the increasingly aging population in Southborough is a trend that is expected to continue.[5] This is creating a corresponding need for smaller, affordable housing options for senior citizens.

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[1] Housing Production Plan, p. 23 (Figure 10).

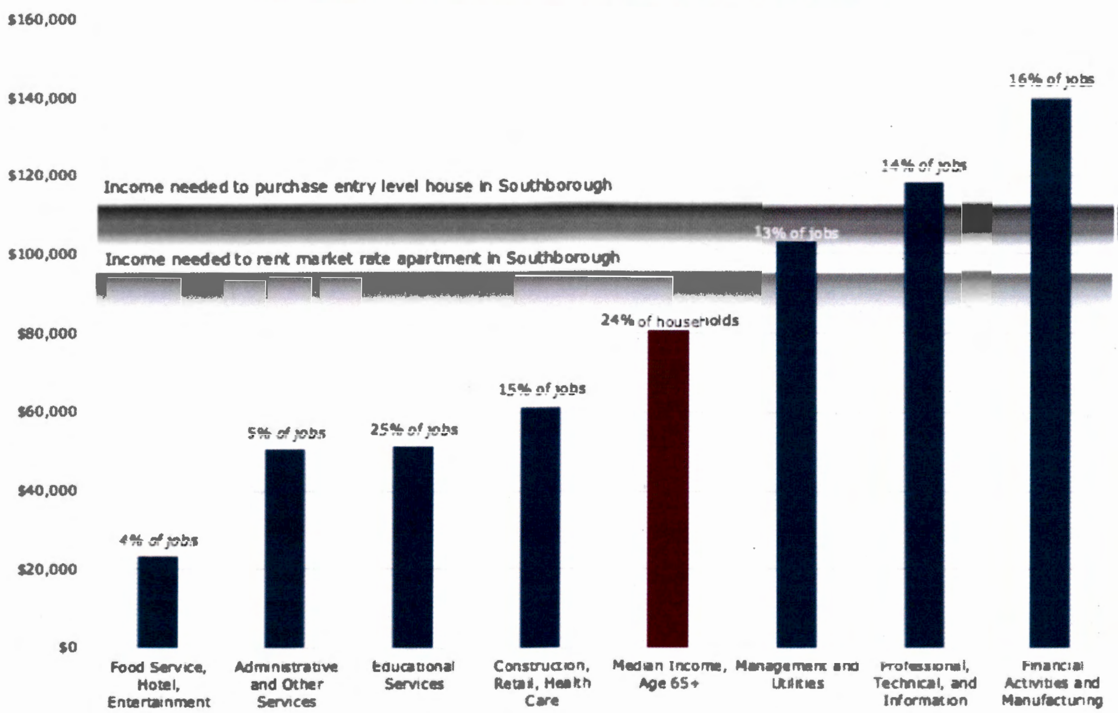
[2] Housing Production Plan, p. 22.

[3] Housing Production Plan, pp. 22-23 (Figure 10).

[4] Housing Production Plan, pp. 6-9, 11.

[5] Housing Production Plan, p. 7, 11 (Figure 2).

Figure 10: Housing Affordability and Wage/Income Comparison



Average Wages for jobs in Southborough establishments : MA Executive Office of Labor and Workforce Development (EOLWD) ES202 Data 2018
Median income for Southborough Households ages 65+: ACS 2013-2017

Town of Southborough Housing Production Plan 2020-2025 23

Given these economic implications and demographic trends (among other factors), two of the principal conclusions of the Housing Production Plan were (i) that there is a priority local need for rental housing to service households of all sizes and incomes, and (ii) that a variety of housing styles (for both ownership and rental) will enhance fiscal balance, and contribute toward meeting community needs.[6] Correspondingly, two of the principal housing goals of the Housing Production Plan are to:

> "1. Provide housing options that attract families and enable older adults to remain in Southborough as their needs change"; and . . .
>
> "3. Encourage alternative housing styles to single family homes, such as townhouses, duplexes, and small apartment buildings in contextually appropriate locations to provide residents with a wider range of housing options."[7]

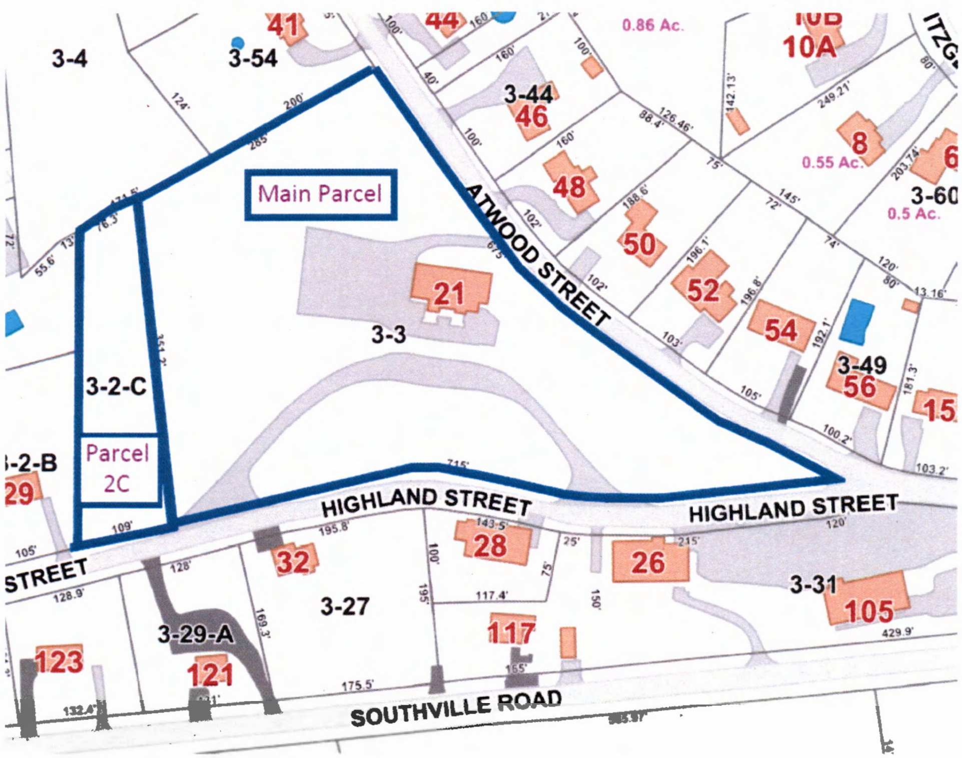
[6] Housing Production Plan, p. 45.
[7] Housing Production Plan, p. 1.

II. OVERVIEW OF SITE

A. Land and Improvements. The subject site is situated at 21 Highland Street in Southborough, Massachusetts (variously referred to herein as "21 Highland" or the "Site"). According to records of the Southborough Assessor's Office, the Site consists of two parcels of land, having an aggregate land area of 3.697 acres (the "Land"):

(i) Parcel ID 03-0000-003-0 ["Main Parcel"]	3.0 acres
(ii) Parcel ID 03-0000-002-C[8] ["Parcel 2C"]	0.697 acres 3.697 acres

The Site is situated at the northwesterly corner of Highland Street and Atwood Street, and fronts on the northerly side of Highland Street. The Main Parcel is improved with a two (2) story (plus basement) red brick government building that was formerly operated as the South Union School (the "Existing Building"), as well as paved parking areas, driveways (with two curb cuts onto Highland Street), an outdoor area formerly used as a playground and other site improvements. Parcel 2C is a vacant, unimproved parcel of land.



[8] According to records of the Southborough Assessor's Office (referred to herein as "Assessor's Records"), the owner of the Main Parcel is the Town of Southborough, and the owner of Parcel 2C is the Southborough Open Land Foundation.

According to Assessor's Records, the Existing Building has an aggregate interior floor area of 10,103 s.f., of which 6,705 s.f. is listed as finished. The Existing Building was constructed in 1915[9], designed in "Classic Revival" architectural style, and is listed in both the National Register of Historic Places[10] and the Massachusetts Historic Commission's inventory of historic assets.[11] As a building that is more than 85 years old, the Existing Building also fits the definition of "Historic Building" under the Town of Southborough Zoning Bylaws (the "Zoning Bylaws") [§174-2(B)(Historic Building)].

The total assessed value of the Site is $2,397,100.00 (the Main Parcel is assessed at $2,170,900.00, and Parcel 2C is assessed at $226,200.00).

B. Current Zoning. The Site is situated entirely within a Residence B ("RB") zoning district. (Town Code § 174-8.3 RB Residence B District.). The uses permitted in RB zoning districts are listed on **Exhibit A** attached to this report.

III. GENERAL DEVELOPMENT FEASIBILITY

A. Development Feasibility. The Subcommittee did not commission a formal feasibility study of the Site[12], which would be performed by real estate professionals and involve a formal assessment of the Site and suitability for redevelopment as an affordable housing project. Subcommittee members have, however, informally gathered information on the development potential of the Site, including conducting interviews with, and seeking out information, opinions and insights from, experienced construction professionals and developers who have developed multi-family residential projects (including affordable housing) in Southborough and surrounding areas, and have knowledge of current construction and development costs. The Subcommittee also consulted with Mr. Emerson Clauss, President of the Home Builders & Remodelers Association of Massachusetts, and Peter Lewandowski, an architect and principal of LR Designs, Inc., who visited the Site and toured the Existing Building, and presented their general thoughts and assessments of the potential redevelopment of the Site and potential re-use of the Existing Building at a public meeting of the Subcommittee on December 16, 2021.

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[9] The Assessor's Records list the Existing Building as having been built in 1915. However, according to historical information listed in the Massachusetts Cultural Resource Information System (MACRIS) database, the Existing Building was constructed in 1911.

[10] National Parks Service, National Register of Historic Places (Reference # 11000021). See https://www.nps.gov/subjects/nationalregister/database-research.

[11] The Existing Building is listed in MACRIS as MHC ID# SBR 164, under Mass Historical Commission's Inventory of Historical Assets.

[12] Notably, the Subcommittee was not granted an expense budget, and did not have access to public funds for such purposes. As the Subcommittee's charge is to do a more general assessment of the potential for re-use of the Site for affordable housing, a formal feasibility study (a much deeper investigation into the granular development details, site conditions, budgeting and profitability analysis, etc.) is beyond the scope of this report, but would become relevant in the future if and when a decision is made to redevelop the Site. The general information gathered by the Subcommittee regarding the potential for re-development of the Site may, however, be helpful to a more general assessment of the Site for potential reuse as affordable housing.

Based upon such discussions and consultations with local developers and industry experts, the Subcommittee reports the following information and insights regarding the general developability of the Site for multi-family housing:

(i) *Number of Residential Units*. While the various professionals consulted had differing views on how they would approach the redevelopment, they generally estimated that 10-15 units of housing could be developed on the Site, ranging between multiple 2-3 unit townhouse buildings, and potential conversion of the Existing Building into residential units. Significantly more units could be created if an apartment or condominium building were to be constructed on the Site.

(ii) *Conversion/Re-Use of Existing Building*. The professionals had differing views on the desirability of preserving the Existing Building and converting it into muti-family units. Some developers indicated that, from a pure development standpoint, converting the Existing Building to housing would involve additional costs and complications (older utilities and plumbing systems, potential issues with building structure and materials, interior layouts, etc.) that would make it more difficult and less desirable than razing the building and using the land for ground up construction of new/modern townhouse units.

In contrast, Messrs. Clauss and Lewandowski (who professed having an affinity for preserving historic buildings) suggested that the Existing Building itself could be converted into 6-8 residential units, and that governmental grants and funding programs for preservation and re-use of historic buildings could be available to offset the additional costs of such conversion. Other affordable housing professionals have also advised that former school buildings are particularly suited to reuse as affordable elderly housing, and that there are private developers who specialize in such conversions.

B. Zoning Feasibility. Under the Zoning Bylaws, multi-family residential use is not permitted as-of-right in an RB zoning district. As outlined below, there are a few different provisions of the Zoning Bylaws that provide for the creation of multi-family housing in isolated contexts, but those existing provisions contain restrictions and limitations that would effectively preclude the Site from being approved (either as of right or by special permit) for any project that reflects the development feasibility of the Site as outlined above.

(i) Major Residential Development. "Major Residential Development" is permitted in an RB zoning district by special permit from the Southborough Planning Board. [Zoning Bylaws, §174-8.3(B) (incorp. by reference uses permitted by special permit under §174-8.2[B][10])]. Special permits for Major Residential Developments are generally governed by the provisions of §174-13.2 of the Zoning Bylaws (referred to herein as the "MRD Bylaws"), which provide terms for the inclusion of multi-family dwellings. [Zoning Bylaws, §174-13.2(D)(5)].

(1) Number of Permitted (Approvable) Units. The number of units permitted in a multi-family development under the MRD Bylaws are limited to the number of conventional subdivision lots that could otherwise have been created on the same land, in conformance with zoning, subdivision and health codes. [Zoning Bylaws, §174-13.2(D)(5)(a); §174-13.2(D)(1)]. The minimum lot size (for conforming lots) in RB zoning districts is 25,000

s.f.. Thus, based solely on land size (and without determination of conformance with other code requirements), the Site could possibly be approved for six (6) units under the MRD Bylaws (161,041.32 s.f. ÷ 25,000 = 6.44 lots), depending on layout. Another notable qualification under the MRD Bylaws is that no more than 2/3 of the units in a Major Residential Development may be in multi-family dwellings. [Zoning Bylaws, §174-13.2(D)(5)(b)]. Accordingly, if the Site were to be developed as a Major Residential Development, no more than six (6) units would be approvable, and at least two (2) of those units would need to be single family dwellings. The number would also, however, be subject to the affordable unit density bonus discussed in clause (2) below.

(2) Affordability Requirements and Density Bonuses. The MRD Bylaws require that at least 12.5% of the dwelling units created under the MRD Bylaws be "affordable housing".[13] [Zoning Bylaws, §174-13.2(E)(1)(a)]. To incentivize creation of affordable housing, the MRD Bylaws further provide a density bonus that reduces the minimum lot size to permit (upon approval) up to three (3) additional units for "each one unit as required under Subsection E(1) above". [Zoning Bylaws, §174-13.2(E)(4)]. Applying these affordability provisions to the subject Site, since (as summarized above) six (6) units could possibly be permitted under the conventional subdivision methodology, only one (1) unit would be required to be affordable housing (6 units x .125 = 0.75[14]). Applying the foregoing density bonus, the one (1) required affordable housing unit would add three (3) "additional" approvable units in a proposed multi-family project on the Site. Accordingly, the total maximum number of potentially approvable units on the Site would be increased to nine (9) units, but three (3) of those units (1/3 of the total number of units) would still need to be single family dwellings.

(ii) Adaptive Reuse of Historic Buildings. The Zoning Bylaws include a provision that allows, and provides incentives, for the adaptive reuse of historical buildings. [Zoning Bylaws, §174-13.8 (referred to herein as the "Adaptive Reuse Bylaw")]. The aim of the Adaptive Reuse Bylaw is the preservation of historic buildings by allowing adaption for uses and purpose other than that for which it was originally built and uses that may not otherwise be permitted in the zoning district in which the historic building is located. In order to achieve the purposes of the Adaptive Reuse Bylaw, the exterior architectural features of the building must be preserved or restored [Zoning Bylaws, §174-13.8(C)(2)(b)]. The incentives are allowed by special permit from the Planning Board, and the proposed adaptation of the building also requires review and findings by the Southborough Historical Commission as to the preservation and/or restoration of the exterior architectural features. [Zoning Bylaws, §174-13.8(C)(2), D(2) and D(3)(g)]. In addition, in any case where a special permit is sought for adaptive reuse of an

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[13] The MRD Bylaws specify that the affordable units must serve "low income households", which are defined in the bylaws as a households having a family or household income "between 51% and 80% of the median income for the Boston Standard Metropolitan Statistical Area..." [Zoning Bylaws, §174-13.2(E)(1)(d) and (e)]. For affordable rental units, the rents may not exceed 30% of the targeted annual gross household income. [Zoning Bylaws, §174-13.2(E)(2)(b)]. For affordable sale units, the sale price cannot result in the purchaser's housing costs (including monthly housing payments, principal and interest payments, real estate taxes, and insurance) to exceed 30% of the targeted gross household income, and the specific prices are subject to approval of SHOPC. [Zoning Bylaws, §174-13.2(E)(2)(c)].

[14] Under the MRD Bylaws, fractions are rounded up (or down) to the nearest whole number. [Zoning Bylaws, §174-13.2(E)(1)(b)].

historic building, the application must obtain site plan review by the Planning Board pursuant to Section 174-10 of the Zoning Bylaws. [Zoning Bylaws, §174-13.8(G)].

The Adaptive Reuse Bylaw provides for numerous additional uses to which historic buildings may (by special permit) be adapted. One such use that is germane to this report is "Apartments or condominiums". [Zoning Bylaws, §174-13.8(B)(2)(b)]. Because (as noted above) the Existing Building is over 85 years in age and fits the definition of "Historic Building" under the Zoning Bylaws, it is presumed that adaptation of the Existing Building for multi-family residential use (apartments or condominiums) may be permitted by special permit from the Southborough Planning Board.

The Adaptive Reuse Bylaw provides that the footprint of the historic building may be increased by up to 15%, if such increase is "required": (i) to bring the existing building into conformity with the requirements of the Americans with Disabilities Act, or (ii) to implement "functional or structural changes" that are "necessary" for the new use, consistent with the state building code or the requirements of the Southborough Building Commissioner. Thus, an increase in the building footprint might be allowed in order to create a wheelchair lift, or an elevator facility, to facilitate resident access, but presumably would not be allowed for the sole purposes of creating additional residential units within the building.

The Adaptive Reuse Bylaws, however, impose a significant limitation on the developability of the site on which the historic building is located: "the open area of the site may not be diminished" other than by potential expansion of the building footprint, required parking and loading spaces, walkways and accessways. [Zoning Bylaws, §174-13.8(C)(1)(b)]. Accordingly, if the Existing Building were to be converted to multi-family housing pursuant to the Adaptive Reuse Bylaws, the number of housing units that could be created on the Site would be limited to those that could be created within the Existing Building (i.e., 6-8 units, as estimated above). No additional residential structures (and no additional units) could be constructed on any portion of the remainder of the approximately 3.7 acre Site.

(iii) Multifamily Housing for the Elderly**.** Another option for creation of multi-family housing under the current Zoning Bylaws is the multifamily housing for the elderly bylaw found in Section 174-9(H) (the "Elderly Housing Bylaw"). The Elderly Housing Bylaw provides, by special permit from the Zoning Board of Appeals, for the creation of up to three (3) units (and no more than six (6) bedrooms) per contiguous acre of housing for the elderly. [Zoning Bylaws, §174-9(H)(1)(a)]. "Housing for the Elderly" is defined in the Zoning Bylaws as "[h]ousing with occupancy of each dwelling unit reserved to no more than two persons, one of whom must be 55 years of age or older or handicapped." [Zoning Bylaws, §174-2(B)("Housing for the Elderly")].

As noted above, the Site is situated within a Residence B zoning district, which allows for use (by special permit) for multifamily housing for the elderly. [Zoning Bylaws, §174-8.2(B)(8)]. Application of the Elderly Housing Bylaw could, in theory, translate into the creation of up to 11 units of elderly housing on the Site, which more closely aligns with the Site's multi-family development potential. However, the Zoning Bylaws impose important restrictions and limitations on this use:

(1) each unit is subject to a maximum occupancy of two (2) persons [Zoning Bylaws, §174-9(H)(1)(a)];

(2) the multifamily housing for the elderly must be "owned" by a public housing agency or a nonprofit community housing organization [Zoning Bylaws, §174-8.2(B)(8)]; and

(3) the total cumulative number of units approved under the Elderly Housing Bylaw "shall at no time exceed 7% of the total number of one-family houses in Southborough at the beginning of the year in which the application is filed…." [Zoning Bylaws, §174-9(H)(1)(g)].

The 7% cap noted in limitation (3) effectively precludes redevelopment of the Site for multifamily housing for the elderly. As reflected in **Exhibit B** attached to this report, calculations made by the Southborough Town Planner reflect that, as of January 1, 2022, the number of existing over-55 housing units in Southborough is very close to that 7% cap. At present, only four (4) additional units may be permitted under the Elderly Housing Bylaw without exceeding the cap.

C. Other Potential Entitlement Options. Notwithstanding the limitations in the current Zoning Bylaws as outlined above, there are other regulatory options outside of, or that may in the future be incorporated into, the Zoning Bylaws that could potentially provide a basis for entitlement of a multi-family affordable housing project on the Site that would align (in terms of scope and density) with the development feasibility of the Site for such purpose.

(i) MBTA Community Zoning District. The Town of Southborough is investigating the creation of a multi-family zoning district that would comply with the requirements of what is known as the "MBTA Community" law (G.L. c. 40A, Section 3A). This law designates municipalities that host MBTA transportation services, and certain other municipalities that abut a host community or are so designated under other criteria, as "MBTA Communities", and mandates that such municipalities create multi-family zoning districts within close proximity to MBTA transit facilities such as commuter rail stations and subway stations.

(1) Policy Objectives and Enforcement Mechanism. The policy objectives of the MBTA Community law are to foster the creation of new multi-family housing in close proximity to public transportation, concomitantly reduce cost burden of housing, increase the use of public transportation, and conversely reduce the costs of commuting and the environmental impacts of mass commuting by single passenger vehicles. MBTA Communities who do not create a compliant multi-family zoning district by their applicable deadlines will be disqualified from eligibility under various state grant programs for housing, infrastructure and capital projects. The MBTA Community law provides that an MBTA Community that fails to comply with the law "shall not be eligible for funds from: (i) the Housing Choice Initiative as described by the governor in a message to the general court dated December 11, 2017; (ii) the Local Capital Projects Fund established in Section 2EEEE of chapter 29; or (iii) the MassWorks infrastructure program established in section 63 of Chapter 23A." M.G.L. c. 40A, §3A(b).

(2) Requirements for an MBTA Community Zoning District in the Town of Southborough. The Town of Southborough has been designated as an MBTA Community (under the "Commuter Rail" category), and its deadline for establishment of a compliant MBTA Community zoning district is December 31, 2024.[15] In order to achieve "interim" compliance with the MBTA Community law, the Town submitted an "action plan" to the Massachusetts Dept. of Housing and Community Development (DHCD) prior to January 31, 2023.[16]

In order to comply with the MBTA Community law, the zoning district must allow for multi-family housing "as of right", with a minimum gross density of 15 units per acre. The district itself must have a minimum land area of 50 acres, and at least 20% of the district (and at least 20% of the district's minimum multi-family unit capacity) must be within 0.5 miles of an MBTA transit station.[17] The Site is within 0.5 miles of the Southborough MBTA commuter rail station.[18]

(3) Affordability Requirements. There are no express requirements under the MBTA Community law or in the DHCD Guidelines that the housing units in an MBTA Community district be affordable. If, however, a municipality desires to include affordability requirements in its proposed district, DHCD will (in making its determination of whether the proposed district complies with the MBTA Community law) give consideration to such requirements as long as they do not require more than ten percent (10%) of the units in any given multi-family project to be affordable, and the cap on the income of families eligible for the affordable units is not less than eighty percent (80%) of the area median income.[19]

Notably, the foregoing 10% cap on the number of affordable units in a given project is only a cap on the percentage of affordable units that may be required under the municipality's zoning bylaws for the MBTA Community zoning district. The developer of any given multi-family project would not be precluded from voluntarily making a higher percentage (or all) of the units affordable. Thus, if the Town of Southborough were to create an MBTA Community zoning district with a requirement that 10% of the units in any project therein be affordable (and assuming the Site was included within such district), the developer of the Site could still elect to voluntarily make 100% of the units affordable, and make the units eligible to households with incomes lower (or higher) than 80% of area median income.

(ii) G.L. c. 40B Project. No housing program has produced more affordable housing in the Commonwealth of Massachusetts than the statutory scheme created by the affordable housing law, G.L. c. 40B, §§20-23 (referred to as the "Comprehensive Permit Law"

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[15] Massachusetts Department of Housing & Community Development (DHCD) Compliance Guidelines for Multi-Family Zoning Districts Under Section 3A of the Zoning Act, issued 8/10/22 (revised 10/21/22) (the "DHCD Guidelines (MBTA)"), §9 (Table 3) and Appendix 1 (Southborough).

[16] DHCD Guidelines (MBTA), §9(a) and Table 3.

[17] G.L. c. 40A, §3A(a)(i) and (ii); DHCD Guidelines (MBTA), §5(a)(i) and Appendix 1 (Southborough).

[18] According to Google Maps, the entirety of the Site is within approximately 0.35 miles of the Southborough commuter rail station (measured from the location of the main train platform at the station). The tax parcel on which the MBTA station exists extends further to the west (and thus closer to the Site).

[19] DHCD Guidelines (MBTA), §4(b).

or simply as "Chapter 40B").[20] Chapter 40B was enacted in 1969 to address the shortage of low- and moderate-income housing in Massachusetts, and to reduce regulatory barriers that impede the development of affordable housing.[21]

Projects developed under Chapter 40B are subject to a complex regulatory scheme, but a very basic summary the law is as follows: a developer of a multifamily housing project that would make at least 25% of the units affordable to families with incomes of 80% or less of the Area Median Income (AMI), may apply to a local zoning board of appeals for a "comprehensive" permit for the project. A Chapter 40B permit is referred to as "comprehensive" because ethe developer does not have to separately obtain permits from other local permitting boards that would otherwise have been required under local zoning bylaws or other local regulations.[22] If the local zoning board of appeals denies a Chapter 40B project application, the applicant may appeal the denial to a state committee within DHCD called the Housing Appeals Committee (HAC), who will determine whether the denial was "Consistent with Local Needs"— i.e., whether the board's imposition of restrictive local regulatory requirements (e.g., zoning bylaws, wetlands regulations, board of health rules, etc.) is reasonable in light of (among other factors) the regional need for affordable housing and the number of lower income residents in the municipality.[23] However, if the municipality has achieved a statutorily-prescribed minimum threshold of affordable housing units (i.e. 10% of the total number of housing units in the municipality), then the local zoning board of appeals' denial of the Chapter 40B project application is immune from scrutiny by the HAC (and "shall be upheld"). 760 CMR 56.03(1)(a). The town of Southborough has not yet reached the 10% minimum affordable housing threshold established under Chapter 40B. According to the Chapter 40B Subsidized Housing Inventory (SHI) published by DHCD (as of December 21, 2020), the SHI units in Southborough represent 8.6% of the total of year-round housing units in the town.

The Site could be developed as multi-family housing under Chapter 40B regardless of whether the Southborough SHI has reached the statutory 10% minimum threshold. However, the fact that the 10% minimum threshold has not been reached means that a developer applying for a Chapter 40B comprehensive permit would continue to have the protections built into the Chapter 40B regulatory scheme that are designed to facilitate the creation of affordable housing without being impeded by local regulatory barriers. The "developer" under Chapter 40B must be a public agency, a non-profit organization, or a "Limited Dividend Organization"[24]; accordingly, a Chapter 40B permit could be issued to an agency of the Town of Southborough, a private developer (who would form a limited dividend organization), or a non-profit housing organization (e.g., a community development corporation). Further, although at least 25% of the units would need to be affordable to meet the requirements of Chapter 40B, the developer of the Site (whether the developer was the Town itself, or a private developer) could voluntarily elect to make 100% of the units affordable.

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[20] Fact sheet entitled "Chapter 40B The State's Affordable Housing Law" published by Citizens' Housing and Planning Association (CHAPA), dated January 2014 (the "CHAPA Fact Sheet").

[21] 760 CMR 56.01.

[22] See G.L. c. 40B, §21; DHCD Guidelines for G.L c. 40B Comprehensive Permit Projects, effective date 2/22/08 (as updated December 2014) (the "DCHD Guidelines (40B)"), §II(A)(1); CHAPA Fact Sheet.

[23] G.L. c. 40B, §20 and §23; 760 CMR 56.05(4); 760 CMR 56.02 ("Consistent with Local Needs").

[24] G.L. c. 40B, §21; 760 CMR 56.02 ("Applicant").

IV. <u>ECONOMIC FEASIBILITY OF AFFORDABLE HOUSING</u>

The economics of any redevelopment of the 21 Highland property will be subject to many variables that are dependent upon the scope, details and components of whatever specific project may be proposed. Site acquisition costs, contracts negotiations, legal fees and transactional costs, due diligence costs (environmental site assessments, title, survey, wetlands delineation, etc.), site planning and civil engineering fees, permitting and entitlement expenses, landscape and building architectural fees, costs of site grading, infrastructure installations, landscaping, construction costs, materials costs, and financing are all examples of costs that go into any site development and will vary depending on the nature, scope, layout and design of the specific project. Accordingly, an analysis of those types of granular economic details of development of the Site is beyond the scope of this report.

In connection with any future decision on whether to redevelop the Site for affordable housing, however, it may be helpful to understand some general principles that come into play in establishing "affordable housing" and how (on a very general level) those principles could impact the economics of redevelopment of the Site.

A. <u>"Affordable Housing"--Defined</u>. As discussed in further detail below, the creation of "affordable housing" can mean different things, depending on the policy objectives of the developer, the permitting or regulatory scheme under which the affordable housing project is entitled, and (if applicable) the governmental program under which grants, subsidies and/or other benefits are used to finance or facilitate the creation of the affordable units.

(i) <u>Generic Definition of "Affordable"</u>. There is a widely observed and generic standard for determining whether housing is "affordable", which is a function of the monthly housing costs of a given unit of housing in relation to the monthly income of a given household. Generally, a housing unit is deemed to be "affordable" to a given household if the monthly housing costs associated with the unit are 30% or less of the household's monthly income.[25] For purposes of this standard, housing costs include: (i) in the case of ownership, monthly mortgage payments (principal and interest), real estate taxes, insurance, and utilities; and (ii) in the case of rental units, the monthly rental payments, and (if not included in the rental payments) utilities.[26]

This generic standard of affordability applies across all income levels and housing types. For example, if a given household has an annual income of $1 million and (for simplicity) monthly income of $83,333.33, a housing unit is "affordable" to that household if the monthly housing costs are $25,000.00 (30% of the household's monthly income) or less. Thus, a hypothetical $4 million mansion on Windemere Drive, having monthly housing costs of

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[25] See, e.g., DCHD Guidelines (40B), §II(A)(1)(d)(1) and (3); Zoning Bylaws [MRD Bylaws], §174-13.2(E)(2)(b) and (c). For an alternative view of the 30% rule, see *Rental Burdens: Rethinking Affordability Measures*, PD&R Edge Online Magazine published by the Office of Policy Development and Research of HUD [https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html]. Notably, for home ownership programs under 40B, DHCD Guidelines allow for monthly housing costs of up to 38% of household income for households earning 80% of AMI. DCHD Guidelines (40B), §II(A)(1)(d)(3)(c).

[26] See, e.g. DCHD Guidelines (40B), §II(A)(1)(d)(1); Zoning Bylaws [MRD Bylaws], §174-13.2(E)(2)(b) and (c).

$30,000.00, is not "affordable" to that household, since the monthly housing costs exceed 30% of the household's monthly income. From a public policy standpoint, there is no compelling need to create more housing for families at this income level, as the Southborough housing market is replete with market rate housing that is "affordable" to such families (a $2.5 million mini-mansion on Sears Road or Presidential Drive can provide reasonably adequate shelter for such a family).

In contrast, to a different household having an annual income of $100,000.00 (and monthly gross income of $8,333.33), housing is "affordable" only if the monthly housing costs are $2,500.00 (30% of the household's monthly income) or less. As discussed in more detail in the Southborough Housing Production Plan,[27] there is a dearth of housing in Southborough that have costs at or below this amount (30% of this hypothetical household's monthly income), and therefore very few housing options available to households at or below this income level.

(ii) "Affordable Housing" Under Governmental Housing Initiatives. In the affordable housing context, the principal objective of governmental housing policy is to create more housing at cost levels that are "affordable" to households at targeted income levels—i.e. income levels that are insufficient to support (without undue burden) the costs of market rate housing in the applicable market area. Correspondingly, governmental affordable housing initiatives (such as state statutory/regulatory schemes, federal or state governmental grant or subsidy programs, and even local zoning bylaws) define "affordable housing" by different standards that are tied to the income level of the occupants for whom the housing is intended to be created. A few examples:

- Chapter 40B Projects: 80% of area median income[28]
- Major Residential Development (under MRD Bylaws): 51% to 80% of the median income of for the Boston Standard Metropolitan Statistical Area[29]
- Home Investment Partnership Program (HOME): 60% of area median income (20% of units must be affordable to households at 50% of area median income)
- DHCD Local Initiative Program: technical assistance subsidies for developers seeking to build housing for households under 80% of area median income

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[27] Housing Production Plan, pp. 20-23.

[28] Under the formal c. 40B regulations (760 CMR 56.00, et seq.), "Low or Moderate Income Housing" is defined broadly as any units of housing for which a "Subsidizing Agency" (a state or federal agency) has provided financial or other assistance for the construction or substantial rehabilitation of low or moderate income housing, as defined in the applicable law or regulation under which the subsidy was granted. 760 CMR 56.02 ("Low or Moderate Income Housing"). In other words, the income affordability requirements are prescribed by the terms of the applicable subsidy program used to assist in the creation of the affordable housing. However, if the applicable grant program does not prescribe income criteria for low or moderate income housing, then "Low or Moderate Income Housing" is, by default, defined as units restricted to households with a maximum income of "80% of the area median income." 760 CMR 56.02 ("Low or Moderate Income Housing" and "Income Eligible Household"); see also DHCD Guidelines (40B), §II(A)(1)(b).

[29] Zoning Bylaws, §174-13.2(E)(1)(d) and (e).

- <u>MBTA Community Zoning</u>: income eligibility for affordable units cannot be lower than eighty percent (80%) of the area median income[30]
- <u>Low Income Housing Tax Credit (LIHTC) Program</u>: 60% of area median income (20% of units must be affordable to households at 50% of area median income, and 10% must be affordable to households at 30% of area median income)

Affordable housing can also be created outside of the ambit of existing affordable housing programs or state statutory schemes, in which case the definition of "affordable housing" can be prescribed based on whatever public policy objectives are intended. A municipality could, for example, adopt inclusionary zoning bylaws that promote the creation of housing units that are "affordable" to income levels at 100% of area median income.

B. <u>Translation of Affordability Requirements Into Hypothetical Unit Prices</u>. Applying the foregoing criteria for "affordable housing", the maximum unit prices of hypothetical affordable units can (for purposes of illustration only) be roughly calculated. For purposes of calculating the following hypothetical unit prices, and for simplicity of illustration, it will be assumed that all units will be intended for four (4) person households.

(i) <u>Household Affordable Monthly Housing Costs--Illustrations</u>. Southborough is presumed to be within the "Eastern Worcester County, MA" metropolitan statistical area, in which (based on 2022 figures) the area median income ("AMI")[31] of a four (4) person household is $135,000.00.[32] This hypothetical household would, by extension, have a monthly income of $11,250.00. Thus, per the discussion earlier in this report, a housing unit would be "affordable" to this hypothetical household if the monthly costs associated with the unit were $3,375.00 (30% of the household monthly income) or less. Applying the same criteria, the following are illustrations of monthly housing costs that are "affordable" to four hypothetical households of different income levels:

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[30] DHCD Guidelines (MBTA), §4(b).

[31] Area Median Income" (AMI) is an affordable housing metric determined annually by the U.S. Department of Housing and Urban Development (HUD) as the "midpoint" of a special area's income distribution, and is used to determine income eligibility of households within each area for benefits under federal housing assistance programs. The AMI is determined for different "metropolitan statistical areas" (MSAs) throughout the country, and are adjusted by household size. The same metric is also commonly used to determine income eligibility for different state and local housing programs.

[32] FY 2022 Income Limits Documentation System—Median Income Calculation for Southborough, Massachusetts [Eastern Worcester County, MA HUD Metro FMR Area], published by HUD on HUD User Portal: https://www.huduser.gov/portal/datasets/il/il2022/select_Geography.odn. <u>See also</u> MassHousing *"2022 Commonwealth of Massachusetts Affordable Housing Program Income and Rent Limits"* (https://www.masshousing.com/-/media/Files/...).

Household	**Household Income** *[Annual-4 persons]*	**Monthly Income**	**Affordable Monthly Housing Costs** *[30% of Monthly Income]*
1. ***Household A***	$200,000.00	$16,666.67	$5,000.00
2. ***Household B***	$135,000.00 *[100% of AMI]*	$11,250.00	$3,375.00
3. ***Household C***	$108,000.00 *[80% of AMI]*	$ 9,000.00	$2,700.00
4. ***Household D***	$67,500.00 *[50% of AMI]*	$5,625.00	$1,687.50

(ii) Illustrations of Monthly Housing Costs Based on Purchase Prices. In order to determine if the purchase price for a given housing unit is affordable to these four hypothetical families (based on their respective income levels), it is useful to estimate the monthly housing costs into which the purchase prices translate.

The actual monthly housing costs associated with any specific purchase price will, of course, depend upon a number of variables, such as the amount of the down payment, the amount of the mortgage loan, the type of loan (variable vs. fixed), the corresponding interest rate on the mortgage loan, and whether (if applicable) a monthly condominium fee is required. For purposes of the illustrations below, the following facts will be assumed: (i) 5% down payment (95% financing); (ii) 30 year fixed rate conventional mortgage at 6.5% interest; (iii) annual real estate taxes of $14.76/$1,000 (assuming an assessed value of 90% of the purchase price); (iv) annual property insurance premium of $1,500.00; (v) monthly utility costs of $250.00; and (vi) monthly condominium fee of $200.00. Based on the foregoing assumptions, the following are examples of monthly housing costs associated with four hypothetical purchased housing units.

Unit	**Purchase Price**	**Down Payment** *[5% of Price]*	**Amount Financed** *[95% of Price]*	**Mortgage Payment** *[Prin. & Int.]*	**Monthly Taxes, Insurance and Condo Fee**	**Monthly Costs**
1. ***Unit A***	$400,000.00	$20,000.00	$380,000.00	$2,401.86	Taxes: $442.80 Insur.: $125.00 Utilil.: $250.00 Condo Fee: $200.00	**$3,419.66**
2. ***Unit B***	$350,000.00	$17,500.00	$332,500.00	$2,101.63	Taxes: $387.45 Insur.: $125.00 Utilil.: $250.00 Condo Fee: $200.00	**$3,014.08**
3. ***Unit C***	$300,000.00	$15,000.00	$285,000.00	$1,801.39	Taxes: $332.10 Insur.: $125.00 Utilil.: $250.00 Condo Fee: $200.00	**$2,708.49**

4. ***Unit D***	$250,000.00	$12,500.00	$237,500.00	$1,501.16	Taxes: $276.75 Insur.: $125.00 Utilil.: $250.00 Condo Fee: $200.00	**$2,352.91**

(iii) <u>Purchase Prices That Are "Affordable" to Hypothetical Households.</u> Marrying the two tables of illustrations above, there emerges a correlation between the income levels of hypothetical households and the prices of the housing units they can "afford" to pay. Based on these illustrations:[33]

(a) <u>A household with an income of 100% of AMI ($135,000)</u> could comfortably afford to purchase a <u>$350,000</u> home, but would be somewhat cost burdened by purchasing a $400,000 home.

(b) <u>A household with an income of 80% of AMI ($108,000)</u> could just afford to purchase a <u>$300,000</u> home, but could not afford to purchase a $350,000 home.

(c) <u>A household with an income of 50% of AMI ($67,500)</u> could not afford to purchase even a <u>$250,000</u> home.

C. <u>Disparate Economics of Affordable Housing Development</u>. The maximum housing unit prices needed to keep such units affordable to households at targeted income levels (as illustrated above) create economic challenges to the development of affordable housing projects. As noted in Section III(A) above, Subcommittee members have interviewed real estate development and construction professionals who have indicated that the Site could be developed with 10-15 units of housing (as some combination of new freestanding townhouse units, and conversion of the Existing Building into housing units). Those professionals have also provided rough estimates of the overall project costs that would be needed to actually create such units, (including typical development costs such as site acquisition price costs, due diligence and feasibility assessments (due diligence, environmental site assessments, soil studies, geotechnology studies, wetlands studies, legal fees, transactional costs), engineering, architectural, and design costs, permitting and entitlement costs, construction and material costs, and financing costs).

While individual estimates from these professionals varied, the estimates of overall project costs generally ranged between $300,000 to $350,000 per unit, which (for a hypothetical 12 unit project) would translate into an overall project budget of $3,600,000 to $4,200,000. In comparison, if the 12 units so created were made affordable to households at 80% of AMI (and, based on the illustrations above, sold for $300,000.00 per unit, the gross revenue earned from the sales (not including transaction costs, such as brokerage commissions and closing expenses)

[33] It bears emphasizing that the purchase price thresholds outlined herein are based on hypothetical households, and are a function of hypothetical unit prices and estimates of associated housing costs. They are not intended as definitive statements of maximum purchase prices for the different income levels outlined, but are stated for illustration purposes only.

would be $3,600,000. Based on such estimates, the revenue generated from the sale of the units would (at best) just cover the development costs to create the units, or (at worst) result in losses of hundreds of thousands of dollars.

This illustrates a general economic reality of affordable housing development—it does not work under conventional market economics. No private developer would undertake a project that did not project to generate a reasonable return on the investment, let alone project to produce a significant loss on such investment. Accordingly, affordable housing development is inherently dependent upon governmental support in order to overcome the economic disparities between costs to create affordable units and the revenues generated by such units.

D. Forms of Governmental Support. The specific strategies and mechanisms for funding the redevelopment of the Site, and creation of new affordable housing units, are details that will need to be determined in connection with whatever specific project (if any) is ultimately decided upon. The subcommittee has, however, considered some broad potential options for the Town to consider if it ultimately decides to move forward with an affordable housing redevelopment of the Site. A few of those concepts are outlined below:

(i) Town Self Development. One option discussed was the Town of Southborough's redevelopment of the Site itself, and to have the project executed and construction managed by Town agencies and personnel. One perceived advantage of this approach would be that the Site could be redeveloped without the complications of market economics attendant to a private developer--i.e. the need for an economic return on the investment.

Affordable housing specialists, however, have advised strongly against this approach because of the significant drawbacks inherent in public works projects. One significant drawback is that public agencies are subject to the inefficiencies of the public procurement process in contracting for and purchasing goods, materials and services for governmental purposes. An even more significant drawback is that public construction projects are subject to the Massachusetts Prevailing Wage Laws,[34] which mandate that covered employees on public works projects be paid a minimum hourly wage (called the "prevailing wage") set by the Department of Labor Standards (DLS). The prevailing wage is required for both union and non-union workers (and regardless of whether the employee is employed by the general contractor or any subcontractor), and is generally higher than wages otherwise payable to workers on the open market. Housing specialists have advised that, as a result of both the public procurement process and the application of Prevailing Wage Laws, construction and development costs for governmental agencies carrying out public works projects are approximately 40% higher than those for equivalent development projects carried out by private developers. Further, depending on the size of the municipality and the size and expertise of its staff resources, local

[34] See, e.g., G.L. c. 149, §§26-27D (public construction work, including alterations to public buildings); G.L. c. 149, §27F (use of trucks, vehicles and equipment to perform public works functions, including trash and recycling collection and hauling); G.L. c. 6C, §44 ; G.L. c. 71, §7A; G.L. 121B, §29; Ch. 195 of the Acts of 2014. See *The Massachusetts Prevailing Wage Laws—An Important Guide for Awarding Authorities*, Office of the Attorney General Maura Healy (Rev. 06/16).

governmental agencies may have comparatively less experience and expertise in developing property and managing significant public construction projects.

As another potential drawback, if the Town developed the Site on its own, it would mean not only the commitment of the existing Site itself (currently assessed at a value of $2,397,100, including the Existing Building), but also the expenditure of (as a rough estimate) $2,000,000 to $3,000,000 in additional public funds for site development, construction, and other project costs. Whether there would be sufficient political will to support this magnitude of commitment of public assets ($4,000,000 to $5,000,000) to the project, and whether such commitments could get approval of Town Meeting, are questions that may be worth consideration.

(ii) Public-Private Partnerships. A common form of governmental support to help finance projects for conversion of town facilities to affordable housing is for the municipality to donate municipal assets to a private developer. Under this type of public-private partnership, the municipality essentially donates the municipal real estate to a private developer, who would agree to redevelop the property for an affordable housing project pursuant to project parameters prescribed in advance of the conveyance.[35] In addition, if needed to bridge any other funding shortfalls in the development budget, municipalities may also contribute some level of public funds (e.g., affordable housing trust funds or community preservation funds)

In the case of 21 Highland, this would involve the Town donating the Site (including the Existing Building), and, to the extent needed to facilitate development funding, some level of contribution of affordable housing or community development funding. The benefits of this approach would be:

(i) the Town's investment of pubic assets would be limited to the Site and Existing Building (a $2,397,100 asset that the Town is already considering devoting to affordable housing), and a much smaller investment of targeted public funds, as compared to the $4,000,000 to $5,000,000 of investment of public funds and assets that could be involved under a self-development approach;

(ii) the redevelopment project would be carried out by an experienced private developer with expertise in executing and managing significant redevelopment and construction projects, and who would not be saddled by the inefficiencies of the public procurement process and the cost burdens of the Prevailing Wage Laws; and

[35] While an in-depth analysis of the Prevailing Wage Laws is beyond the scope of this report, a note of caution is made that, even in cases where an affordable housing project is carried out by a private developer, if the governmental agency exercises too much control over the development (e.g. prescribing the plans and specifications of the project, exerting direction and control over developer's conduct of work, etc.) the private developer could be deemed to be, in essence, a hired contractor for the governmental agency and the project itself could be deemed to be a public works project subject to the Prevailing Wage Laws.

(iii) by donating the Site and Existing Building to a selected private developer, it would reduce the developer's overall project costs down to a level that would enable the newly created units to be sold (even at reduced affordable prices) with a profit margin sufficient to incentivize the developer to take on the project.[36]

Using the cost estimates under Section IV(C) above as an illustration: if the overall project costs for the 12 hypothetical units would otherwise have been roughly $4,800,000, including costs of acquisition of the approximately $2,400,000 Site and Existing Building, but the Town ended up donating the Site and Building to the developer (thus removing that $2,400,000 site acquisition cost line item from the project budget), the project budget would be reduced to $2,400,000 for the creation of such hypothetical 12 units. At that cost level, the developer could sell the units at affordable prices ($300,000 per unit in our example) for an aggregate of $3,600,000, and realize a profit of $1,200,000.[37] In the same vein, if the project were to instead be planned as affordable rental housing development (where the developer would not be selling the units to achieve a return on its investment), the Town-contributed assets would be applied to help the developer fund the construction and development costs of the project.

(iii) ***<u>Community Development Corporations</u>.*** Community development corporations (referred to as "CDCs") are non-profit organizations formed under G.L. c. 40H. By statutory mission, CDCs are fundamentally focused on serving one or more "specific neighborhoods or municipalities", "a region of the commonwealth", or "a constituency that is economically disadvantaged". CDCs are active developers of affordable housing, and have expertise not only in real estate development but also in navigating and availing of the various governmental grant and subsidy programs that are available to finance affordable housing projects.

According to CDC contacts and affordable housing professionals with whom the Subcommittee consulted, CDCs commonly finance affordable housing projects with tax credits under the Low Income Housing Tax Credit (LIHTC) program. Under this federal program, developers are awarded a federal tax credit for each unit of affordable housing they create. Because the tax credits are awarded on a "per unit" basis, the project must include a sufficient number of affordable units for the aggregate tax credits to reach the level necessary to offset the development costs. The minimum number of units is generally considered to be 30 units, although the number can vary depending on the availability of other funding sources for the development (e.g. a municipality's donation of land and/or public funds such affordable housing trust funds). Because there are more government funding programs for rental housing, it is more typical for a CDC to develop affordable rental housing, and to then own and manage the affordable rental units. According to the sources noted above, there are actually very few subsidy programs for the creation of affordable units for sale to eligible households.

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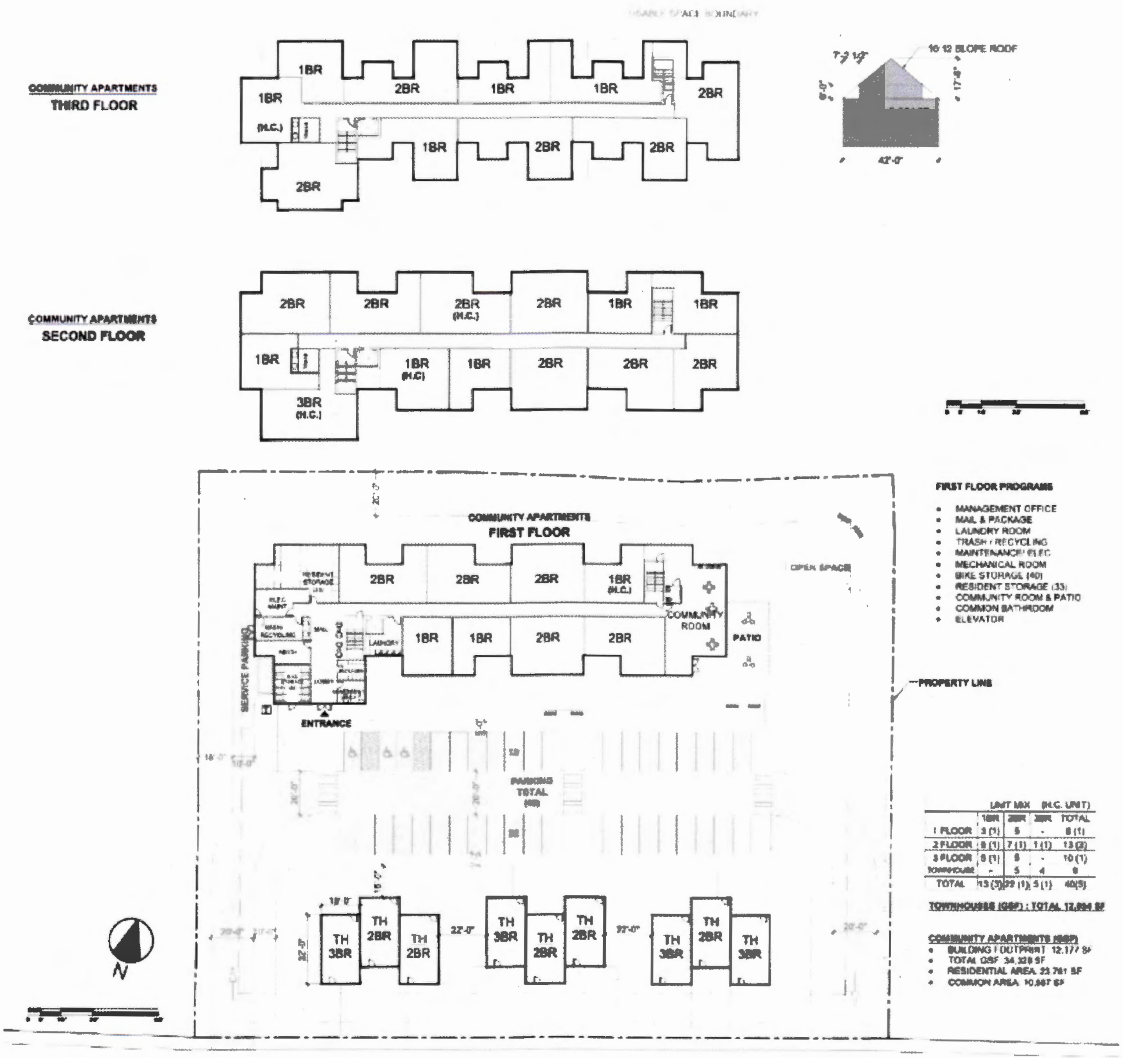
[36] Another structure that could be considered for the same purpose (i.e. reducing the developer's overall project costs by essentially removing significant land acquisition/control costs) would be to enter into a long term (e.g., 70-99 years) ground lease of the Site and the Existing Building to a developer for nominal annual rent.

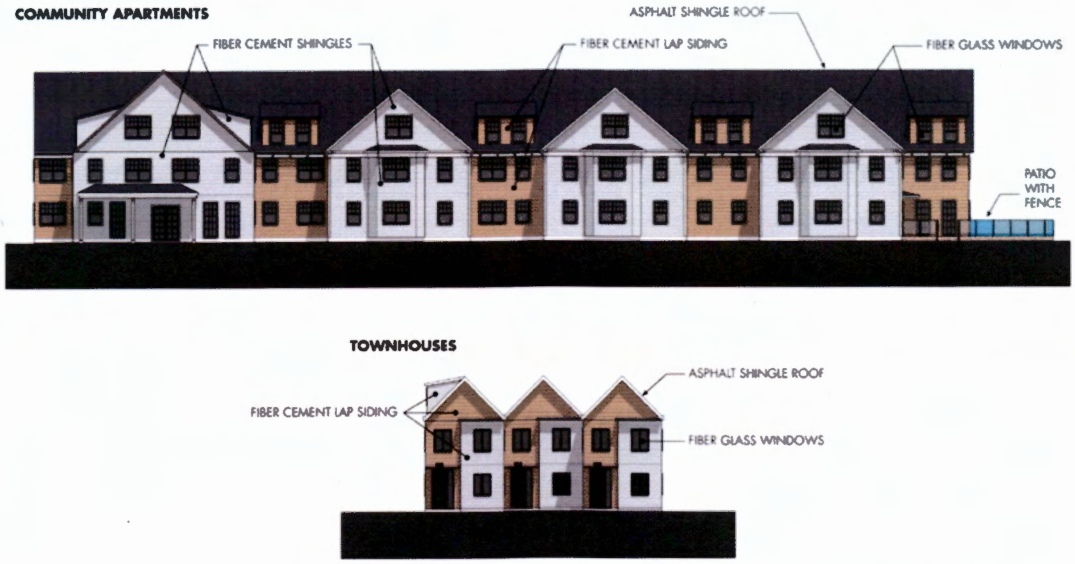
[37] Emphasis is made, again, that these figures are hypothetical and based on generalized development cost estimates and assumptions as to affordability pricing, as noted previously.

Case Study: 62 Packard Street, Hudson, MA (Former Police Station).

This is a good example of the redevelopment of municipal property into affordable housing. 62 Packard Street is a 1.89 acre parcel of land owned by the Town of Hudson, and the former location of the Hudson police station. A local CDC, Metro West Collaborative Development, is redeveloping the site into 40 affordable rental units, consisting of three (3) townhouse buildings (each containing three units) that are sited (for visual appeal) along the frontage of the site, and a low-rise (3 story) apartment building sited on the rear portion of the site. The site plan and schematic designs of the buildings are reflected below.[38]



[38] Plans used by permission of Metro West Collaborative Development and Davis Square Architects.



Metro West Collaborative Development is financing the project through a combination of public funding sources, including: (i) low income housing tax credits from the federal government (administered on the state level by DHCD); (ii) donation of the property by the Town of Hudson; and (iii) the Town of Hudson's contribution of $650,000 of affordable housing trust funds.

(iv) Governmental Subsidy/Grant Programs. No matter who would carry out an affordable housing project on the Site, they would very likely be able to avail of various governmental benefit programs that are intended to promote and facilitate the creation of multi-family housing and affordable housing. In addition, as noted earlier, other programs for the preservation and rehabilitation of historic buildings could also come into play if the affordable housing project plan included the preservation, rehabilitation, and reuse of the Existing Building on the Site.

In consultation with Mr. Franklin Miller of the Massachusetts Department of Housing and Community Development, the subcommittee was advised that a development with a diverse project concept accesses more governmental funding sources. Different grant programs restrict project ownership, types of housing, purpose of housing, historical criteria, etc. However, the programs are not mutually exclusive; project funding can be drawn from multiple programs in a single funding cycle. Attached hereto as **Exhibit C** is a chart listing, and providing basic information about the purposes and application criteria of, many funding programs listed on the DHCD (Department of Housing and Community Development) website and CEDAC (Community Economic Development Assistance Corporation).

V. CONCLUSION

At 21 Highland Street the Town of Southborough has many options in terms of utilization, including an opportunity to increase affordable housing. If housing is undertaken there are a number of factors in terms of zoning and economic feasibility for the Town to consider. This Subcommittee looks forward to participating in discussions with other Town boards and committees to assist with ascertaining best path forward.

EXHIBIT A

Current Uses Permitted in RB Zoning Districts

A) Permitted Uses (AKA "By Right") in Residence B District:

Permitted uses in **§174-8.3 Residence B District** are the uses permitted in the Residence A (RA) District, pursuant to §174-8.2, and in the Conservation (C) District, pursuant to §174-8.1, which are listed as follows:

(i) Uses Permitted in Residence A District:

(1) All uses permitted in the Conservation District.
(2) One-family houses.
(3) Religious uses, public or nonprofit school.
(4) Public or nonprofit library, museum, art gallery or a similar cultural institution.
(5) Town or other government building.
(6) Renting of rooms or furnishing of board to not more than four persons by a resident family in a one-family house.
(7) Mobile home or travel trailer used as a dwelling for 30 days or fewer in a year.
(8) Construction of private garage or private parking for not more than three vehicles, that is accessory to a permitted principal use and on the same lot as such use. One vehicle may be a truck or other commercial vehicle.
(9) Customary home occupation.
(10) Parking in a garage or out of doors for employees, customers, clients, occupants or students, accessory to a permitted principal use and on the same lot as such use.

(ii) Uses Permitted in Conservation District:

(1) Park, open space, noncommercial recreation, fishing and hunting where legally permitted, wildlife management and conservation area.
(2) Agriculture, horticulture, floriculture or viticulture, but excepting, to the extent permitted pursuant to applicable state law and regulation, piggeries and fur farms.
(3) Temporary nonresidential structure accessory to farming, fishing or similar permitted use of the land.
(4) Signs as permitted under § 174-11.
(5) Roadside stand.

B) Uses by Special Permit in Residence B District:

Uses permitted by special permit in **§174-8.3 Residence B District** are the uses permitted by special permit in the Residence A (RA) District, which are listed as follows:

(1) Accessory apartment.
(2) Boat livery, cemetery, children's camp, golf course, private nonprofit membership club, public utility, riding stable, ski tow.
(3) Hospital, nursing home, home for the aged.
(4) Private school, nursery or kindergarten.
(5) Veterinarian, animal hospital, dog kennel.
(6) Conversion of a one-family house in existence for two years or longer to a two-family dwelling, on a lot with a minimum of 15,000 square feet.
(7) Mobile home or travel trailer used as a dwelling for more than 30 days in a year.
(8) Multifamily housing for the elderly, owned by a public or a nonprofit community housing organization.
(9) Other multifamily dwellings if within a major residential development. (Note: Special permit from the Planning Board.)
(10) Major residential development. (Note: Special permit from the Planning Board.)
(11) Office-type trailer or mobile home used as business quarters.
(12) Private garage or private parking for more than three vehicles, that is accessory to a permitted principal use and on the same lot as such use.
(13) Adaptive Reuse of Historic Buildings Bylaw (Note: special permit from Planning Board).

C) <u>Prohibited Uses in RB Residence B District</u>: All uses which are not listed above, legally nonconforming or otherwise allowable by the provisions of the zoning regulations are prohibited.

D) <u>Development Standards for RB Residence B District</u>:

(1) Minimum lot area: 25,000 square feet; minimum 20,000 square feet exclusive of wetlands.

(2) Minimum frontage: 125 feet.

(3) Minimum setbacks:

(a) Front: 30 feet.

(b) Rear: 35 feet; 10 feet for accessory buildings and swimming pools.

(c) Side: 15 feet; 10 feet for accessory buildings and swimming pools.

(d) Other street: 30 feet.

(4) Maximum height: 35 feet, 2 1/2 stories (17 feet, one story for accessory buildings).

(5) Maximum floor area ratio: .30.

(6) In the RB District, no lot shall be considered a building lot unless the center of a 62.5 foot diameter circle can be passed along a continuous line from the lot frontage to the rear yard setback without the circumference intersecting any lot lines and unless the center of the 62.5 foot diameter circle can be passed along 40% of the required frontage without the circumference intersecting any side or rear lot line. This Subsection **D(6)** shall not apply to an existing lot or existing dwelling for which a building permit has been issued as of the effective date of adoption of this Subsection **D(6)**, or to any alteration, extension or structural change thereto.

EXHIBIT B

Calculation of Over-55 Housing Inventory[39]

55+ HOUSING INVENTORY CALCULATION (01/01/2022)

AVAILABLE 55+ AGE RESTRICTED UNITS

Property Type	Assessors Code	Total
Single	101	2896
2 single families on 1 lot	109	42
2 family	104	78
3 family	105	7
Apartment buildings (over 3 units)	111-125	6
Total		3029
7% allowance		212
Current permitted/constructed		208
Remaining Allowed		**4**

Updated: Town Planner, Karina Quinn

Parcel Data Provided By: Principal Assessor, Paul Cibelli

[39] As published on the Town of Southborough web site at: https://www.southboroughtown.com/sites/g/files/vyhlif7351/f/uploads/55_housing_inventory_calculation_01-01-22.pdf.

EXHIBIT C

Chart of MA State Funding Programs

Mass DHCD Programs		
Low Income Tax Credit Program (LIHTC)		
Program description	Tax Credits for Invested funds	
Eligible Applicants	Non-profit/for profit	New Construction, Rehab, Acquisition
Owner and/or Rental	All	
Max Tax Credit per Project/ Unit type	Max tax credit : 500k assisted living project/ 1M others/ More if Approved. 250k per assisted unit within Boston, 200k per unit outside Boston, Preservation set aside 175k per assisted unit.	Projects can qualify for two types of credits: a 9% credit, or a 4% credit.* Tax credits can be claimed by the investors for 10 years. For example, based on an investor willing to pay $.75/tax credit dollar, a project eligible for $500,000 in annual credits, would receive $3,750,000 ($500,000 in credit x 10 years x $.75) in equity.
Project Requirements	20% of housing low income (less than 50% median income)	40% of housing low income (less than 60% median income). In addition, 10% of total units reserved for earners less than 30% of median income.
HOME investment Partnership Program		
Program description	Preserve/create Affordable and low income housing	
Eligible Applicants	Non-profit/for profit/Municipal/local housing authorities	New Construction, Rehab, Acquisition
Owner and/or Rental	Rental	
Funding Amt.	750k-1M Max per project, 50k-75k per housing unit	In non-entitlement or non-consortium communities, the maximum amount available per affordable unit is $65,000 to $90,000. Some matching funds generally required for consideration.

Funding Structure	In general, DHCD HOME awards are structured as loans with 0% interest, and a 30-year deferred payment term	
Requirements	Projects seeking HOME funds must have a minimum of 5 HOME-assisted units	All units receiving HOME assistance must be occupied by households earning no more than 60% of the area median income. At least 20% of the HOME units must be affordable to households earning no more than 50% of area median income.
Housing Stabilization Fund		
Program description	Supports Affordable Rental housing production and rehabilitation	
Eligible Applicants	Non-profit/for profit/Municipal/local housing authorities	New Construction, Rehab, Acquisition
Owner and/or Rental	Rental	
Max Tax Credit per Project	1M per project, 50k per HSF-assisted Unit in HOME entitlement/consortium communities	1M per project, 65k per HSF-assisted Unit in non-entitlement or non-consortium communities
Project Requirements	Projects seeking HSF funds must have a minimum of 5 HSF-assisted units. All units receiving HSF assistance must be occupied by households with incomes no greater than 80% of the area median income during the first 40 years.	During years 41 through 50, HSF assisted units maybe occupied by households with incomes no greater than 100% of area median income. Projects located in HOME entitlement or consortium communities must include a matching commitment of local funds.
Funding Structure	In general, HSF monies are structured as a 50-year deferred payment loan at 0% interest.	
Affordable Housing Trust Fund (AHTF)		
Program description	The Affordable Housing Trust Fund has been structured to ensure that many different types of organizations are eligible to receive financing.	

Eligible Applicants	Non-profit/for profit/Municipal/local housing authorities, Community based orgs	New Construction, Rehab, Acquisition
Owner and/or Rental	All	
Funding Amt.	Varies by project type	
Funding Structure	Consumer and development loans	Matching funds to building sponsor
Requirements	For people with incomes that do not exceed 110% of the median income of the area by HUD definition.	30 year affordability projection
Housing Innovations Fund		
Program description	To create and preserve affordable rental housing for special needs populations (including veterans, elders, single occupiers, limited equity cooperatives, homeless households, domestic violence survivors)	
Eligible Applicants	Non-profit	OR, a single purpose owner corporation controlled by a non-profit; and a joint venture partnership with at least 51% ownership by a non-profit
Owner and/or Rental	All	
Max Tax Credit per Project	1M, Loans are limited to not more than 50% of the total development costs	
Project Requirements	At least 50% of the occupants of HIF-supported housing must be persons whose incomes are at or below 80% of area median income as determined by HUD.	Additionally, at least 25% of occupants must be persons whose incomes are at or below 30% of area median income.
Funding Structure	HIF monies are structured as a 30-year deferred payment loan at 0% interest, with ten-year extensions available at DHCD's discretion.	
Facilities Consolidation Fund (FCF)		

Program description	For the development of community-based housing for clients of the Department of Mental Health (DMH) and the Department of Developmental Services (DDS).	
Eligible Applicants	Non-profit/for profit/Municipal/local housing authorities	New Construction, Rehab, Acquisition.All housing must be pre-approved by DMH or DDS, and residents must be clients of DMH or DDS.
Owner and/or Rental	All	
Max Funding	750K, up to 50% of total development cost FCF unit	
Project Requirements	Residents must be clients of DMH or DDS	
Funding Structure	FCF Loans are structured as 30-year deferred payment loans at 0% interest with ten-year extensions available at DHCD's discretion.	FCF funding is also available on a rolling basis for projects not seeking any other DHCD resources
Capital Improvement and Preservation Fund (CIPF)		
Program description	Preserve and improve existing privately owned, state or federally assisted affordable rental developments	
Eligible Applicants	Non-profit/for profit/local housing authorities	Rehab, Acquisition
Owner and/or Rental	Pre-existing Rental	
Max Funding	2M, 40k per unit of projects over 25 units	1.25M, 50K per unit for projects under 25 units
Project Requirements	Eligible properties include housing at risk of losing affordability restrictions due to the potential for the prepayment of its mortgage or housing in which a project-based rental assistance contract has expired.	At least 50% occupied, affordable to households at or below 80% of area median income. 5% of the total units must be available and affordable to households at or below 50% of area median income.
Funding Structure	Bond structured as a 40-year deferred payment loan at 0% interest	

Community Based Housing (CBH)		
Program description	For the development of integrated housing for people with disabilities, including elders, with priority for individuals who are in institutions, nursing facilities or at risk of institutionalization.	
Eligible Applicants	Non-profit/for profit/Municipal/local housing authorities	New Construction, Rehab, Acquisition
Owner and/or Rental	Rental	
Max Funding	750K, up to 50% of total development cost	
Project Requirements	All units must be occupied by Persons Certified Eligible by the Massachusetts Rehabilitation Commission (MRC) with incomes no greater than 80% of the area median income.	The CBH Program excludes clients of the DMH and DDS (who may access housing financed through the **FCF program**)
Funding Structure	structured as 30-year deferred payment loans at 0% interest	
Community Scale Housing Initiative (CSHI)		
Program description	Providing funding for small scale projects	
Eligible Applicants	Profit/Non-Profit	New Construction, Reuse
Owner and/or Rental	Rental	
Max Funding	1M, 200K per eligible unit	150k per unit if DHCD rental assistance is sought
Project Requirements	5 to 20 rental units, CSHI funding will be made available only to support the CSHI eligible units.	CSHI affordable units will be targeted to households at or below 80% of AMI. (20% of the total units must qualify as CSHI affordable units, 50% is expected by MassHousing & DHCD)
Funding Structure	50 year deferred payment loan	

Commercial Area Transit Node Housing Program (CATNHP)		
Program description	Support rental housing production or rehabilitation	
Eligible Applicants	Non-profit/for profit	New Construction, Rehab, Acquisition
Owner and/or Rental	Rental	
Max Funding	1M per project, 50k per Unit	Funds shall not exceed the lesser of 25% of the total development cost of the commercial portion of the project or $1,000,000.
Project Requirements	25 units or less, or Public transit projects of 25 or more	>50% occupancy must be at or below 80% median income.
Funding Structure	30-year deferred payment loan at 0% interest.	
National Housing Trust Fund Program (HTF)		
Program description	production and preservation of affordable housing with services for extremely low- and very low-income households	
Eligible Applicants	Non-profit/For profit developers with non-profit partners	New Construction, Rehab, Acquisition, Reuse
Owner and/or Rental	Rental	
Max Funding	500k, 100k per unit	
Project Requirements	All occupants of HTF housing units must have incomes at or below 50% of area median income (AMI)	
Funding Structure	30-year deferred payment loan at 0%	
CEDAC (Community Economic Development Assistance Corporation)		
Predevelopment Assistance Grant	Kuehn Planning Grants will be up to $15,000 each and will be awarded to organizations for costs associated	

	with affordable housing or economic development projects	
Program description	Financial and technical assistance in planning and the development of affordable housing	
Eligible Applicants	Non-profit	New Construction, Rehab, Acquisition
Owner and/or Rental	All	
Project Requirements	Affordable housing or economic development	
Funding	Loans and grants up to 20M annually	* Some CEDAC predevelopment funds are provided by the Affordable Housing Trust Fund (AHTF), solely for non-profit orgs.