

Please use this page to provide any additional information:

COSTS section, Other Funding Sources, continued:

FY2025 anticipated Other Funding Sources: Governor's Housing Bond Bill earmark request TBD; Community One Stop state grant award of \$10,000

1. Scope or concept:

This is a joint request of the Select Board and the Lexington Affordable Housing Trust (AHT) for \$3.2 million. The Select Board voted on September 18, 2023 and October 23, 2023 to join with the AHT in submitting this application in recognition that pre-funding is key to building an effective and impactful Housing Trust for Lexington.

-Lexington needs ongoing and reliable revenue for its Trust to support the creation of more affordable units, more efficiently, and provide a greater diversity of housing choices in Lexington.

-Pre-funding enables the Trust to respond to opportunities in real time

-Having available funds gives the Trust a chance to compete in the private real estate market.

-Each unit of affordable housing is expensive; funds can be depleted on just a few units. To support multiple units and larger projects, the Trust needs to build its fund balance.

-Trust funding demonstrates local commitment to a project and helps leverage state, federal, and private sources.

Statement of Need:

It is widely recognized that we are in a housing crisis. The Boston Globe reported in its Spotlight series on October 18, that while home prices in the US are six times higher than in 1980, Massachusetts home prices are now 11 times higher than in 1980.

In Lexington, the housing demand is further reflected in the CPC's 2022 Needs Assessment, which states that LexHAB's 2021 SHI lottery had 96 applicants for 4 units, and 176 applicants for 6 units in 2020. The centralized affordable housing waitlist for Massachusetts, CHAMP, has 184,000 people looking for a home in one of the state's 41,500 subsidized apartments, according to a WBUR September 19 report. The average wait time for public housing in Lexington is approximately 6 years. Clearly, Community Housing is now the most urgently needed CPA funding category that could have the most profound benefit to peoples' lives.

See also Section 9. Regarding downward trend in Lexington's Subsidized Housing Inventory.

2. Project Goal and objective

"The purpose of the Trust shall be to provide for the preservation and creation of affordable housing in the Town of Lexington for the benefit of low and moderate income households and for the **FUNDING** of community housing, as defined in G.L c. 44B (the Community Preservation Act)"

Town Counsel, October 15, 2023, advised:

The CPA, G.L. c. 44B, § 5 expressly allows appropriating CPA funds to the Affordable Housing Trust Fund, without further requirements as it does for other projects.

The language, which appears in an un-numbered paragraph at the end of the section reads: “A city or town may appropriate money in any year from the Community Preservation Fund to an affordable housing trust fund.”

The objective of this request to pre-fund the Lexington Affordable Housing Trust is to ensure it can operate as authorized, that is, responding in real-time to the affordable housing development, acquisition, and housing preservation needs of LexHAB, the Lexington Housing Authority, and other timely real estate and housing development opportunities to produce or preserve affordable homes in Lexington.

This is anticipated as the first of annual requests to pre-fund the Affordable Housing Trust to enable its timely support of affordable home development, thereby helping to address the regional housing shortage crisis, to help fulfill the housing goals of LexingtonNext, the Town’s Comprehensive Plan, and to act on the Select Board’s housing goals.

More specifically this request meets the following six CPC community housing criteria:

Contribute to the goal of maintaining at least 10% affordable housing;

Promotes a socio-economic environment that encourages diversity

Provide housing that is harmonious in design, scale, setting and materials with the surrounding community.

Intermingle affordable and market rate housing at levels that exceed state requirements for percentage of affordable units: All projects funded through the AHT using CPA funds on mixed-income developments will follow this practice of intermingling affordable units and market rate units, as detailed in the Planning Board’s regulations and as required by the Executive Office of Housing and Liveable Communities.

Ensure long-term affordability: All projects funded through the AHT using CPA funds are required to have a grant agreement and to remain affordable in perpetuity

Promote use of existing buildings or construction on previously developed or Town owned sites: The AHT has already commissioned due-diligence work, including wetlands delineation and a site survey of existing conditions, to pursue an affordable housing development on a Town-owned site. Also, the outcome of the Town’s pending housing feasibility study on three Town-owned sites may yield additional opportunities for the AHT to fund soft-costs and construction subsidies for affordable housing development on one or more of these Town-owned sites.

3. Projected action steps and timeline (see Anticipated requests below):

4. Anticipated project cost; itemized budget:

- 1) Funds to complete RFP for North and Lowell (feasibility study, testing, site survey)
- 2) Support for LexHAB acquisition of financially feasible properties
- 3) Subsidy for LexHAB – Vine Street Project. It is anticipated that LexHAB is a Non-Profit LLC around 7/1/2024

- 4) Subsidy for MBTA and/or SRD zoning development opportunities. The AHT may use funds to leverage private sector developers to provide additional affordable units or provide units serving a lower AMI household.
- 5) Resident Support

Affordable Housing Needs in Lexington: Anticipated Requests to AHT for Funding

Anticipated Requests	FY25	FY26	FY27	FY28	FY29
LexHAB purchase	\$650,000	\$700,000	\$750,000	\$800,000	\$850,000
Vine Street/otherLexHAB dev't subsidies	\$6,000,000	\$300,000	\$3,000,000	\$300,000	\$300,000
LHA	\$50,000	\$50,000	\$900,000	\$1,300,000	\$900,000
MBTA subsidy	\$700,000	\$700,000	\$750,000	\$800,000	\$850,000
SRD subsidy	\$700,000	\$700,000	\$750,000	\$800,000	\$850,000
Resident Support	\$100,000	\$110,000	\$115,000	\$120,000	\$125,000
Town Land Affordable Housing	\$100,000	\$5,500,000	\$400,000	\$200,000	\$6,000,000
Housing preservation (Katahdin Woods/other)	\$50,000	\$1,000,000	\$1,000,000	\$1,000,000	\$50,000
TOTAL	\$8,350,000	\$9,060,000	\$7,665,000	\$5,370,000	\$9,925,000



5: Other funding sources; private/public/in-kind:

Source of Funding

2023 Annual Town Meeting – CPA Funds	\$ 1,500,00
Stabilization Funds	\$ 439,402
Funds held in 2023 for allocation to the Trust	
Includes:	Brookhaven mitigation payments
	Short Term Rental, Community Impact Fees
Proposed Funding Sources for 2024	
CPA Funds	\$ 3,200,000
Brookhaven Mitigation Payment	\$ 103,000
Short Term Rental fees	\$ 5,000
Future Potential Funding Sources	
CPA Funds	Unknown
Brookhaven (expires in FY2034)	\$135,000
Short Term Rentals	\$5,000
Community One Stop for Growth	\$10,000
Governor’s Housing Bond Bill	TBD

6. CPA funding request: \$3.2 million

7. Budget justification: (provide an explanation for why each type of expense is needed.)

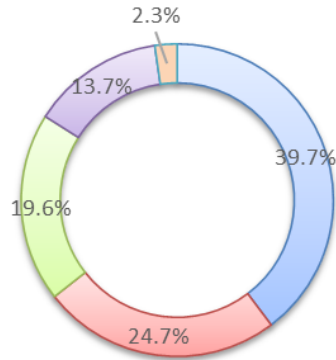
A recent study commissioned by the Greater Boston Real Estate Board, “Missed Opportunities: Funding Housing Through the Community Preservation Act” <https://mahousingsolutions.com/> notes that only 1 in 5 CPA projects is dedicated to affordable housing. Since the adoption of the CPA in Lexington, less than 14% of CPA allocations have been dedicated to the Community Housing CPA category. (See charts below). Beyond the 10% CPA housing funding required by statute only 3.7% of the non-designated CPA funds have been allocated to community housing. As public entities, LexHAB and the LHA have been hamstrung by regulatory restriction. As such, requests to the CPC have not been commensurate with the need for the development of new community housing units.

The Fall 2022 and Spring 2023 Town Meetings served as a statement by the citizens of the Town that Lexington needs to step up and participate in providing solutions to the housing crisis. MBTA and Special Residential District zoning by-laws were enacted to promote new and diverse housing. Both LexHAB and the LHA are actively repositioning their organizational structure to position themselves to increase their capacity to create new units of Affordable Housing in Lexington.

Lastly, the Affordable Housing Trust was established with the specific function to provide funding support for the creation of new affordable housing.

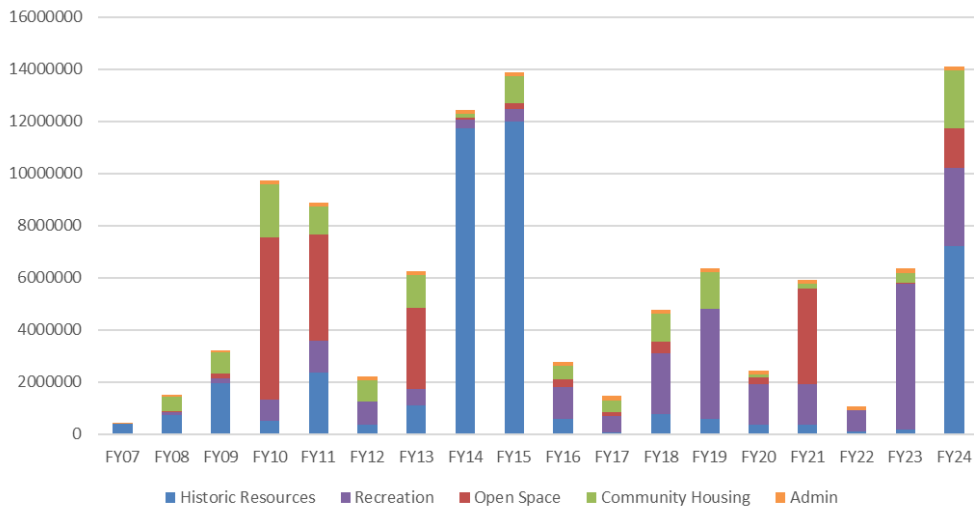
This request, and the anticipated future annual pre-funding requests by the AHT, will help Lexington rebalance this disparity, especially in light of the degree of urgency locally, statewide, and nationally to address the high cost and insufficient level of production of affordable homes. Approval of this pre-funding request will also help support LexHAB and the Lexington Housing Authority throughout the year, whenever their expenses, needs and opportunities arise.

Percent of Total Allocations per Category over FY07-FY23



■ Historic Resources
 ■ Recreation
 ■ Open Space
 ■ Community Housing
 ■ Admin

Fiscal Year Fund Allocation FY07-FY24



CPA Equitable Funding Structure for FY25-FY28

TOTAL CPA Funds FY07-24 \$103,721,293
 \$ -2,400,000 Admin
 \$101,321,293

Community Housing 25% Share \$ 25,330,323
 Community Housing Received \$ 14,214,427
 Community Housing Makeup \$ 11,115,896

		FY25	FY26	FY27	FY28
Makeup	\$11,115,896	\$2,778,974	\$2,778,974	\$2,778,974	\$2,778,974
Annual CPA Funds	\$ 6,000,000	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>
(\$8M-\$2M Reserve)		\$4,278,974	\$4,278,974	\$4,278,974	\$4,278,974

8. List and describe any comparable projects:

Affordable Housing Trust, Adopted Programs to Implement Stated Goals

- 1) Timely decisions on funding of immediate needs from our partner institutions. The CPA funding mechanism, including a vote in the affirmative by Town Meeting makes it hard for both LexHAB and LHA to respond to both opportunities or emergency needs. The Trust is the vehicle for our partner organizations to turn to when looking for funds to respond in a timely manner in the context of a competitive real estate market.
- 2) Review and assessment of potential parcels of land in town for the development of affordable housing, e.g., a Town-owned parcel of land on Lowell Street and North Street given to the Town in 1978 for purposes including housing. The Trust is currently performing due diligence, including a wetlands delineation (completed 10/24/23) and site survey and existing conditions plan and Phase I Environmental Assessment. The Trust is also contemplating a feasibility study to include an initial development pro forma for this parcel. For parcels such as this, the trust provides a preliminary due diligence study, accesses the feasibility, and when appropriate authorizes funds for 3rd party consultants and engineers to further vet the sites with the goal of issuing an RFP to the Affordable Housing Developer community bring a project to fruition.

Both LexHAB and the LHA are positioning themselves organizationally to increase their affordable housing inventory. The trust offers to perform these same initial studies for our housing partners.

- 3) Buy Down Program – Adopted September 28, 2023: The Lexington Affordable Housing Trust partners with developers to achieve more affordability in their projects when either affordable units, or a payment in-lieu of units, are required, such as in the new MBTA Multi-family developments and Special Residential Developments (SRD).

Lexington’s MBTA Multi-family zoning requires affordable units at 80% of Area Median Income (AMI). With funding from this program, the developer could create an affordable housing unit rather than simply make a payment to meet this requirement. The program could also make an affordable unit in a larger MBTA Multi-family development affordable to renters earning less than 80% AMI.

- 4) Provide commitment of seed funding for Affordable Housing Developers looking to leverage other sources of funding (state, federal, tax credit, etc.) for affordable housing projects.
- 5) Provide Resident Support-where the lack of support would result in the eminent loss of housing.
- 6) Provide support for Sustainable and Healthy Affordable Housing Units. In conformance with the Town’s Integrated Building Design and Construction Policy.

9. Relevance to community: (indicate how project is relevant to the current and/or future needs of Lexington)

A 2021 McKinsey & Company report estimates that Massachusetts needs to produce 200,000 homes per year throughout this decade to catch up with housing demand.

Lexington has one of the highest median household incomes in Massachusetts at \$185,686, and also has one of the highest median home values in the state per the US Census. As of September 2021, the median selling price of a home in Lexington over the previous twelve months was \$1.5 million. Lexington has lost diversity of home sizes as larger homes replace smaller homes and diversity of prices is diminishing rapidly.

The Town of Lexington has worked hard to achieve the Massachusetts General Law Chapter 40B 10% Subsidized Housing Inventory (SHI) mandate, which it currently exceeds at 10.95% of year-round housing units. Lexington's SHI has been trending downward:

2020: 11.17%

2021: 11.18%

2022: 11.05%

2023: 10.95%

However, despite achieving the 10% SHI goal, many of the units on the Lexington SHI inventory are not deed-restricted affordable units, rather as a result of a number of multi-family rental projects, projects permitted through a Comprehensive Permit are allowed to count both the 25% affordable units and the 75% market rate rental units on the SHI. **Thus, there is continued need for more housing options affordable to a range** of low-income (below 50% Area Median Income - AMI), moderate-income (50% - 80% AMI) and middle-income (80% to 120% AMI) households."

Unfortunately, not much has changed in the subsequent 9 years since the report was published. Since the 2014 Report 41 affordable units have been added to the Town of Lexington's SHI, while 41 group home units have been removed. Of the 11,800+ homes in Lexington, only 663 homes are Affordable. As a town we have been at a standstill for decades when it comes to increasing our affordable housing stock.

10. Supporting documents: (Provide supporting letters, references, studies, maps, and statistics)

Support letters forthcoming from LexHAB, the Housing Partnership Board and others.



Town of Lexington Select Board
1625 Massachusetts Avenue
Lexington, MA 02420

RE: Lowell Street and North Street Parcel 68-44

September 14, 2023

Dear Select Board:

The Lexington Affordable Housing Trust (AFT) would like to explore the possibility of developing the town owned parcel 68-44, located at the corner of Lowell and North Streets, for the creation of affordable housing for Lexington. AFT presented the initial planning studies to LexHAB at our most recent board meeting on September 6, 2023. LexHAB unanimously supports AFT's proposal to study the viability of affordable housing development on this parcel.

LexHAB's Board members agree there is a strong possibility to create a significant number of new affordable housing units on this site and that further study is warranted to assess the feasibility of repurposing the use of this site for affordable housing.

I am writing to express LexHAB's enthusiastic support of the Trust's proposal to study the potential for affordable housing development on the site. Please join us in supporting the Trust's proposal. As you know well, Lexington urgently needs to develop more affordable housing.

Thank you for your time and consideration.

Sarah Morrison
Executive Director
LexHAB
(781) 862-4394
director@lexhab.org