#### Newton Housing Authority Acquisition of CAN-DO Portfolio

Community Preservation Committee February 8, 2022

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#### CAN-DO Acquisition Summary

- NHA approached by CAN-DO Board in May 2018 about acquiring 33 unit CAN-DO portfolio and began its own due diligence of the financial and physical condition of the properties
- The NHA signed a Letter of Intent dated June 18, 2019, stating its intention to acquire the portfolio following its due diligence process
- The NHA worked closely with the Newton Planning Department staff and the Newton Housing Partnership to develop an acquisition plan using City of Newton CPA and CDBG funds, as well as a new mortgage from The Village Bank, to eliminate the portfolio's existing private debt, address immediate capital needs, and create an operating reserve for the properties
- In addition, the NHA secured a generous \$250,000 grant from The Village Bank and committed its own contribution of \$250,000, both of which will be placed into the replacement reserve in annual \$25,000 installments over a period of ten years
- The NHA also assumed all deferred financing and related affordable housing use agreements from various public agencies, including the City of Newton, CPA, CEDAC, FHLB, and AHTF

# CAN-DO Acquisition Funding Sources

#### **Sources:**

City CPA \$1,105,000

City CDBG \$1,200,000

New Village Bank Loan \$650,000

NHA Grant over 10 yrs \$250,000

Village Bank Grant over 10 yrs \$250,000

Total \$3,455,000



## CAN-DO Acquisition Closing Complexities

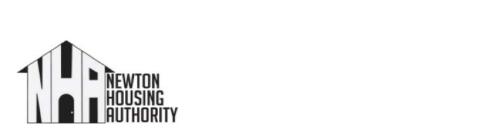
- Large number of sources of deferred financing and associated affordable housing use restrictions that the NHA would be assuming as part of the acquisition, the NHA had to meet in depth due diligence requirements for each of the funding sources, including FCF, HIF, HOME, CDBG, FHLB, and AHTF
- The need to create a DHCD-approved Affirmative Fair Housing Marketing Plan and Tenant Selection Plan for all the units to bring them into compliance for which NHA had to issue an RFP for a consultant/lottery agent
- Maintenance issues NHA resolved before closing- boiler replacement at Webster Street, hard-wired smoke detectors at Christina Street
- Late addition of Auburn Street development
- Section 8 HAP contract between NHA and CAN-DO had expired
- Negotiating final P&S with CAN-DO
- Procurement of insurance

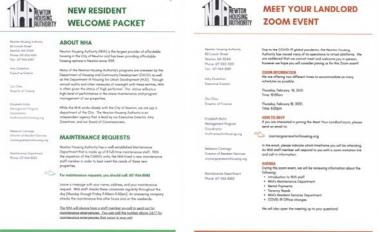


#### CAN-DO Acquisition Resident Transition

- NHA met regularly with CAN-DO Board members and NCDF for months leading up to closing
- NHA continued to work with NCDF following closing to provide a smooth transition for residents and facilitate transfer of tenant files
- Following the acquisition, the NHA Resident Services Department reached out by phone to every new resident and provided information packet and a grocery store gift card as a welcome gift.
- Administrative information packets and "Meet Your Landlord" zoom meetings held

• The Resident Services Department has 9 active cases with former-CANDO residents focusing on longer-term issues including rental assistance, hoarding/clutter, and other financial needs.





## CAN-DO Acquisition Financial Impacts

- Unanticipated closing costs, including lottery agent, legal fees, property taxes
- NHA issued RFP for new Project-Based Section 8 Contract for 13 units previously subsidized units, required creation of a NHA-controlled LLC as owner of the properties and caused a delay of HAP subsidy to the portfolio, 3<sup>rd</sup> party contract administrator
- Tenant financial difficulties, including COVID income loss, affecting tenants' ability to pay resulting in a large tenant rental arrears balance



#### CAN-DO Acquisition Budget to Actual Comparison

	2019 E	2019 Budget		Actual
Rent	\$	532,113.60	\$	467,128.00
Other Income	\$	-	\$	13,640.41
The Village Bank Grant	\$	-	\$	25,000.00
Net Effective Income	\$	532,113.60	\$	513,978.02
Expenses				
Administrative	\$	112,997.87	\$	153,841.97
Maintenance	\$	122,387.64	\$	96,094.32
Resident Services	\$	33,000.00	\$	-
Replacement Reserve	\$	66,000.00	\$	50,000.00
Utilities	\$	75,579.76	\$	65,765.78
Real Estate Taxes	\$	-	\$	52,246.01
Insurance	\$	34,018.47	\$	34,770.69
Predevelopment Costs	\$	-	\$	3,852.00
Total Expenses	\$	443,983.74	\$	464,781.28
Net Operating Income	\$	88,129.86	\$	49,196.74
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Debt Service				
The Village Bank	\$	(40,688.49)	\$	(40,416.00)
Net Cash Flow	\$	47,441.37	\$	8,780.74



## CAN-DO Acquisition FY22 and Beyond

- CDBG rehab work beginning
- The NHA anticipates that the portfolio will be in stronger financial position in 2022 than it was in 2021. This is due in large part to a plan to project-base Section 8 vouchers in additional units. This will allow the NHA to collect higher rents and make the portfolio more sustainable. It will also allow the existing tenants to remain in their units paying rents that they are able to afford.
- The NHA is in the process of hiring a fourth licensed social worker whose focus will be on our family, section 8, and management tenants, including the former CANDO residents. The NHA will continue to provide excellent resident services to the residents of the newly-acquired units, along with its other long-term tenants.
- The NHA is grateful for the support, trust, and resources from the CPC and the City of Newton required to stabilize, improve, and preserve this important resource that represents a major prior investment of City and State funds.

