

**NEEDHAM HOUSING AUTHORITY**

**SPECIAL BOARD MEETING**

**MINUTES**

**Monday, October 3, 2022**

**COMMISSIONERS PRESENT:**

Reginald C. Foster, Chair  
Eleanor Evans, Vice-Chair (remote)  
Ed Scheideler, Treasurer  
Janice Bennett, Commissioner  
Penny Kirk, Commissioner

**NHA STAFF PRESENT:**

Steve Merritt, Interim Executive Director  
& Secretary  
Cheryl Gosmon, Assistant Executive  
Director

**Guest:** Margaret Donnelly Moran, Principal, Cambridge Housing Authority  
Nathalie Janson, Senior Project Manager, Cambridge Housing Authority

This is a Zoom meeting only. Chair Foster called the meeting to order at 7:35 pm and called the roll of Commissioners with all reporting present at the October 3, 2022, NHA Special Board meeting. Chair Foster stated that adequate notice of this meeting has been provided by the Secretary of the Needham Housing Authority (NHA) by preparing a Public Notice dated September 29, 2022, setting forth the date, time, and place of this meeting. Said notice was filed with the Clerk of the Town of Needham and provided to persons requesting it. Chair Foster noted that the meeting is being recorded.

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**Chair Announcements:**

Chair Foster summarized the meeting agenda. He stated that the purpose of this Special Board Meeting is to provide the NHA Board of Commissioners with an update on all the analyses that's been done in the last year on the repositioning strategy for the NHA.

Chair Foster welcomed Cambridge Housing Authority (CHA) Consultants, Margaret Donnelly Moran, Director of Planning and Development, and Nathalie Jansen, Senior Project Manager and invited them to present their report on the NHA Federal Public Housing Conversion and Repositioning Strategy.

Margaret Moran greeted everyone and pointed out that the background picture on Nathalie Jansen's screen is the Lincoln Way property one of CHA's newer developments, a former state public housing family development that was built in 1950 and needed significant repair and modernization. Ms. Moran stated that the solution was to rebuild the entire development to improve design features like living space functionality and energy efficiency. She added that she was there two weeks ago walking the site with a potential investor of the housing authority and the site still looks brand new after ten years. She stated that it is a real testament to the quality of the design, execution, and construction. Ms. Moran turned the presentation over to Ms. Jansen to present the details of the report.

**I. Update from Cambridge Housing Authority Team regarding Federal Portfolio Options**

1. Update on the repositioning process since we last met in fall 2021:

Ms. Jansen reported on the repositioning options for the federal properties at the NHA, which include Seabeds Way, Captain Robert Cook Drive, and High Rock Estates. She summarized the activities that began in the summer of 2021 that have culminated in the activities outlined in this report.

- a. Hiring an A/E Firm to Produce the PCRs  
December 2021 the NHA procures Dietz & Company Architects to produce Property Conditions Reports (PCRs) for its federal properties to determine the eligibility of properties for specific repositioning options
- b. Receiving the First Draft of the Reports
- c. Refining Strategies
- d. Currently Finalizing PCRs and Doing Additional Testing for High Rock Estates

2. Brief Refresher on Reposition Options and Faircloth Authority

Ms. Jensen stated that the conversion tools include Rental Assistance Demonstration (RAD), Section 18 Demolition and Disposition, RAD/Section 18 Blended Transactions, and Streamlined Voluntary Conversion.

Ms. Jensen outlined the benefits of conversion and why the NHA should convert its federal properties from a Section 9 program to a Section 8 program.

Commissioner Evans asked what the difference is between Section 8 project-based assistance versus Section 9 public housing assistance.

Ms. Jensen explained that Section 8 is funded by a different program at HUD. She stated that Section 8 can be tenant based in which case it's a mobile voucher and it moves with the tenant who has that voucher, or it can be a project-based voucher that stays with the unit. She stated that the rent is still factored in 30% of the tenant's income.

Mr. Merritt added that Section 9 (the current Public Housing funding platform) funds properties through the Operating Fund and Capital Fund and tenant rent, and Section 8 is based on Fair Market Rents.

Ms. Moran also added that Section 9, the current public housing funding platform, makes funding decisions on operating expenses determined each year by HUD. For example, could determine that a housing authority spends no more than \$1000/per unit on operating expenses a portion of which would be made up by resident rent. The average rent could be \$400 and the subsidy that HUD would provide the housing authority to bring the income up to a thousand dollars per unit is \$600 whereas, with the Section 8 program, the Fair Market Rent for a 1-bedroom unit is \$2100, the tenant still pays \$400 in rent, but the housing authority receives \$1700 in subsidy instead of \$600 in subsidy. Ms. Moran added that the higher income comes into the housing authority to

potentially make reinvestments in the property and bring the quality of the units up to current standards or support the development of new affordable housing.

3. The Repositioning Options that the NHA is zeroing in on

Ms. Jansen summarized Option 1: RAD conversion. She stated that the RAD conversion would have the smallest income effect of Section conversion programs and is not recommended for the NHA. She highlighted Option 1: RAD conversion program requirements. She stated that the RAD properties need to meet a 20-year financial viability test. RAD properties need to show the ability to close on construction financing to address these needs. She stated that because the rents are typically lower than other programs, the RAD conversion would need resources from Low Income Housing Tax credits to meet the 20-year test. She added that any debt supported by a RAD conversion would likely not cover NHA's needs.

Ms. Jansen summarized Option 2: Section 18 Demolition/Disposition. She stated that a Section 18 conversion would cause a substantial income to increase to the NHA's federal portfolio but that it is very difficult to qualify for. She described the benefits in detail of this option for the NHA. She highlighted program requirements for Option 2: Section 18 Demolition/Disposition. She stated that to qualify for Section 18 Demolition/Disposition, a property must prove that it can meet one of the following: has immediate rehabilitation needs above the obsolescence threshold; displays serious health and safety concerns for residents; and qualifies as locationally obsolete. Ms. Jansen added that to get the increased rent construction financing is needed for this option. She stated that neither Seabeds Way nor Captain Robert Cook Drive meets the obsolescence threshold. She added that High Rock Estates (HRE) has a greater potential of meeting the obsolescence threshold. Additional testing is being conducted at HRE.

Ms. Jansen summarized Option 3: RAD/Section 18 Construction Blend. She stated that NHA may combine the RAD and Section 18 options based on construction cost or as a right for Public Housing Agencies with 250 public housing units or less. She highlighted program requirements for Option 3: RAD/Section 18 Construction Blend. She stated that based on the PCRs all the NHA's federally assisted properties may meet a version of the RAD/Section 18 Blended conversion program.

Chair Foster asked if the Total Development Cost (TDC), was directly related to the Property Conditions Report (PCR) and if 57% of the TDC for Seabeds Way is \$6.396M, what does that mean?

Ms. Jansen explained that the TDC is related to the PCR report. She stated that these reports outline different capital repairs and immediate critical repairs for one to three years and then it does a longer outlook to 10 years and then to 20 years which then allows us to use the same report to see whether this is an option for the RAD Section 18 Blend. She stated that for a property to qualify for Section 18, it needs to hit that TDC threshold per unit, and for Seabeds Way that would mean that the costs that are needed to repair things that are in critical condition, need to be repaired or replaced in the next

three years. She added that there would need to be enough critical repairs above \$112,000/per unit.

Chair Foster clarified that the Seabeds Way and Captain Robert Cook Drive properties, which are getting older but are in relatively better condition have less chance or no chance of qualifying for Section 18, even though Section 18 is the best option, and that the remaining 60 units at High Rock Estates which are 70 years old need a lot more work and have a lot better chance of meeting the minimum requirements to qualify for Section 18 Demo Disposition.

Ms. Jansen summarized Option 4: Section 22 Voluntary Conversion. She stated that Section 22 allows a public housing authority to convert 100% of units to Section 8 FMR vouchers. She stated that to qualify, the housing authority must meet a cost test that it would cost less to operate the buildings with vouchers than as public housing. She added that under the Streamlined Voluntary Conversion, housing authorities with less than 250 public housing units may waive the cost test. She noted that the NHA qualifies for the Streamlined Voluntary Conversion. She highlighted program requirements for Option 4. She noted that a Section 22 Voluntary Conversion would bring in \$3,875,302 in potential income and the NHA would also receive a \$168,912 administrative fee.

Ms. Jansen spoke about the impact of Faircloth. She stated that the Faircloth Authority is the number of public housing units a local housing authority can own, assist, or operate. She stated that the NHA's Faircloth Authority is 136 units. She also stated that certain conversion programs generate 1-for-1 Faircloth units when public housing is converted out of the public housing program, likewise, some conversion tools will cause the housing authority to lose Faircloth as units are converted out of the public housing program. She stated that Faircloth Authority would provide an additional future operating subsidy that could help support the redevelopment of existing properties towards the creation of housing. She stated that any Faircloth Authority generated by a repositioning could be used to subsidize the operations at Linden and Chambers. She stated that some repositioning options would increase the operating subsidy at the federal properties, which would allow the NHA to raise more private debt to fund renovations.

Commissioner Scheideler asked regarding Linden and Chamber only if the NHA were able to use the Faircloth would the ownership of properties transfer from the State to HUD?

Ms. Moran explained that ownership right now is with the NHA but that if the NHA had Faircloth Authority that you would be used in the Linden and Chambers, developments. DHCD would release the property or the units from the state public housing program and the underlying affordability restriction would change from the state public housing program to the HUD program.

Ms. Jansen presented the following updated recommendations for further discussion and exploration:

**Option 1 RAD / Section 18 Construction Blend (20% RAD/80% Section 18) for Captain Robert Cook Drive and Seabeds Way + Section 18 for High Rock**

- Increased operating income: \$3,617,696
- Additional admin fee: \$168,912
- 120 Faircloth Units: \$1,048,320
- Greatest total revenue increase: \$4,834,928
- Requires construction

OR

**Option 2 Section 22 Voluntary Conversion**

- Greatest operating revenue increase: \$3,875,302
- Additional admin fee: \$168,912
- No Faircloth & close out of federal public housing program
- Immediate payment: \$4,044,214

4. Next Steps

Ms. Jansen stated that the next steps include ongoing discussions with CHA and NHA to review options. Finalize PCR for Captain Robert Cook Drive and Seabeds Way and complete additional testing at High Rock Estates. She added that a final strategy is forthcoming in December pending the completion of testing at High Rock Estates and the finalization of PCRs.

5. Board/public attendee questions

Commissioner Bennett expressed that she is leaning towards Option 1:RAD/Section 18 Construction Blend (20% RAD/80% Section 18) for Captain Robert Cook Drive and Seabeds Way plus Section 18 for High Rock Estates.

Chair Foster noted that there is more analysis that needs to be done. He stated that if Board members have any questions send him an email. Chair Foster thanked Margaret Donnelly Moran, and Nathalie Janson, of Cambridge Housing Authority for their excellent presentation.

**II. Board Award Resolution**

Kitchen Upgrade at Matthews House, 1415 Great Plain Avenue, Needham, MA (689-1 Development)

Mr. Merritt stated that this is a resolution that is relative to the Kitchen Upgrade at Matthews House.

**Motion and vote**

Upon a motion duly made by Commissioner Bennett and seconded by Commissioner Kirk to accept the quote for this contract with Northeast Construction for this project in the amount of \$29,990.00 and authorize the Interim Executive Director to sign the said contract.

Chair Foster called the roll of Commissioners in favor of this motion:

Commissioner Bennett votes, aye; Commissioner Evans votes, aye; Commissioner Scheideler votes, aye; Commissioner Kirk votes, aye; and Commissioner Foster votes, aye.

**The motion carried. The vote was unanimous 5-0.**

**III. Extension of Contract with Stephen Merritt, Interim Executive Director**

Chair Foster opened this item for discussion. He stated that the Interim Executive Director's employment contract will expire on October 9, 2022, and Mr. Merritt has agreed to continue to serve and support the NHA until an Executive Director is hired. Chair Foster stated that under the terms of the contract the Board would need to take a vote to formally extend his agreement for up to another six months. A general discussion followed.

**Motion and vote**

Upon a motion duly made by Commissioner Foster and seconded by Commissioner Scheideler that the Needham Housing Authority would write a letter of agreement extending the contract with Stephen Merritt as Interim Executive Director for the Period October 11, 2022 – April 11, 2023, or on a month-to-month basis or to sign a brand new agreement subject to the Mass. Department of Housing and Community Development approval and to authorize the Chairman to sign on behalf of the Needham Housing Authority.

Discussion: The Board expressed their deep appreciation to Mr. Merritt for his hard work and commitment to the Needham Housing Authority.

Chair Foster called the roll of Commissioners in favor of this motion:

Commissioner Scheideler votes, aye; Commissioner Kirk votes, aye; Commissioner Evans votes, aye; Commissioner Bennett votes, aye; and Commissioner Foster votes, aye.

**The motion carried. The vote was unanimous 5-0.**

IV: Adjournment

**Motion and Vote**

Upon a motion duly made by Commissioner Kirk and seconded by Commissioner Scheideler to adjourn the NHA Special Board meeting of October 3, 2022, at 9:34 pm.

Chair Foster called the roll of Commissioners in favor of this motion:

Commissioner Foster votes, aye; Commissioner Evans, aye; Commissioner Kirk, aye; Commissioner Scheideler, aye; and Commissioner Bennett, aye.

**The motion carried. The vote was unanimous 5-0.**

**Minutes Prepared by**

*Cheryl Gosmon*