



## Concord Housing Development Corporation

September 23, 2022

To: Concord Planning Board  
From: Lee Smith, President  
Re: Christopher Heights (f/k/a Junction Village) Update

The Concord Housing Development Corporation (CHDC) requests that the Planning Board support the CHDC request to the Select Board to commit an additional \$1,000,000 of Town funds to the Christopher Heights development in time for the next funding application submission to the Massachusetts Department of Housing and Community Development (DHCD).

By way of background, the CHDC acquired the property from the Department of Corrections in 2013 with the deed restriction that the property be used for public open space and affordable housing purposes.

The CHDC embarked on a developer selection process in 2014, and subsequently selected The Grantham Group and their assisted living proposal after broadly reviewing proposals with Town committees and the Select Board.

The Grantham Group's Christopher Heights project is permitted for 83 assisted living units – 17 for extremely low income tenants, 26 for very low income tenants, and 40 for moderate income tenants. All units will be restricted as affordable housing. In accordance with all laws and regulations, there will be a local preference given to Concord residents upon initial leasing.

The project received its Comprehensive Permit in 2017, which has been extended to May 1, 2023.

Christopher Heights was awarded low income housing tax credits and public subsidies by DHCD in February, 2020. The development was unable to close on the transaction before the COVID pandemic. As the result of the severe economic consequences of the pandemic, projects such as this one have, across the state, been faced with significant cost increases resulting in budget shortfalls. This resulted in DHCD withdrawing its funding approvals for approximately 34 projects across the state. DHCD has made clear that in order for developers to be considered for funding, they must reapply and also demonstrate significant additional financial support from the host municipality. The project is poised to resubmit to DHCD for increased costs and increased subsidies this Fall, however, the application will only be submitted if the Town provides additional financial support. The developer is proposing to use additional Town funds in support of its on-site wastewater treatment facility which is estimated to cost \$1.3 million.

Project Costs: The current budget is attached. The project has been professionally estimated by project architects and construction estimators three times:

- 2017: \$17Million (\$17,351,533)
- 2020: \$20Million (\$19,998,525) 15% increase
- 2022: \$28Million (July, 2022) (\$28,085,320) 40% increase

The current budget shows a \$1million shortfall which is the sum requested from the Town.

Before COVID, industry experts assumed a year-over-year escalation on construction costs of 3-5%. Over the last two and a half years since the onset of COVID, the industry has seen a 15-20% year-over-year increase in construction costs. The Christopher Heights costs are on the high end, but not out of range.

The budget includes \$800k for Marketing & Lease Up which covers the working capital during the lease up period. This is required by DHCD.

The budget includes \$1M for Operating Reserves. The operating reserve is cash available to the project to meet additional financial obligations (payroll, mortgage, operational expenses). This is basically a financial insurance policy for the bank and tax credit investor. This is required by DHCD, the bank, and the tax credit investor.

The budget includes \$260,000 for a building permit, which the town has previously declined to waive. DHCD does not consider waiving building permit fees the same as a cash contribution, which would be reflected in the sources.



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The project has significant local funds already committed: \$2 million (\$1 million CPA, and \$1 million appropriated free cash in 2017), the Tax-Incremental Financing (TIF) theoretically valued at \$2 million, and directing \$655k of local HOME funds through the WestMetro HOME consortium.

On September 1, 2022, the project team, including two members of the Select Board, had a conference call with Kate Racer, Associate Director of DHCD, responsible for the Division of Housing Development. During that call she communicated the following points:

DHCD recognized that this project is not unique with cost increases directly attributable to the COVID pandemic. 34 projects are in similar situation.

DHCD now requires an additional local contribution to be considered for funding approval. Some examples of other projects around the State are: one town contributed \$12 million for 65 units, other towns contributed an additional \$3 million and \$1 million respectively for fewer units. While DHCD has seen contributions in the form of fee waivers, they strongly prefer to see a cash contribution.

DHCD asked the developer to contribute additional funding as well, and Grantham responded by deferring \$900k of their development fee to operations – the highest deferral that DHCD has seen, and they noted that this was a considerable concession. DHCD has a set maximum developer fee in general, and usually the fee is taken at the time of project construction and closing. With this deferral, the fee is being deferred until there is positive cash flow during operations.

DHCD reiterated that Grantham Group is a good partner with a proven project track record around the state, and provides a beneficial product, being much needed affordable housing assisted living. Most of DHCD's other funding projects are prioritized for low income family housing.

DHCD recognizes the value of the TIF to the project, though it does not come into the development budget and is therefore not considered in the current financial analysis.

DHCD noted that Grantham was very reluctant to ask the Town for additional funds given the past agreements, but DHCD insisted in order to be considered for state funding.

DHCD looked back 14 years and noted that Concord has not done a project with DHCD since Peter Bulkeley. In fact, Concord has not made any net new SHI progress over the last decade due to a decrease in DSS units.

The CMAHT is very supportive of this request and has concluded that this represents the highest and best use of the town's affordable housing funds as this project represents the only way the Town can remain above 10% on the state's subsidized housing inventory in the foreseeable future, thereby creating a safe harbor from 40B developments. They are prepared to use their funds with Select Board approval and support for the project.

The project proposal includes an on-site septic system, which is consistent with the design from the beginning. When the project was first proposed, a request to tie into town sewer was raised, and rejected. This parcel is not included in the sewer master plan, though the sewer serves all the properties around it (see sewer map attached). This property was not an identified parcel at the time of the sewer master plan development because it was owned by the Department of Corrections. Additional concerns have been raised about the capacity in the pipes from the site to the pumping station as well as treatment plant and permitted discharge capacity. These concerns are being further explored by the Town, including whether there is a potential partnership with the Department of Corrections. The path of determining whether this development could connect to town sewer will take considerable time and may not be able to meet the current development schedule. We note that increased sewer capacity would serve a greater need in town in addition to this project. The idea of revisiting a possible connection to town sewer came up just recently for a few reasons:

- An innovative approach to addressing the project gap;
- A more sustainable development design and operation;



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- Recent case law requiring towns to provide a sewer connection for 40B developments under certain circumstances.

The Town can pursue a parallel path which may determine that the project can connect to the sewer by the time construction begins, which would be welcome. The Board and CMAHT can consider specifying that the requested Town contribution may be used for either an on-site septic system or a municipal sewer connection, providing flexibility depending on the conclusions from upcoming analysis.

The Christopher Heights project would get Concord back over the 10% SHI safe harbor once the building permits are issued (recognizing that there will likely be a gap in time when the Town falls below 10%) until 2030.. This is of significant importance for the local control over future development. Further, in order to participate in the Climate Action pilot program the Town is required to be in safe harbor. If this project does not go forward, Concord will drop below 10% for potentially many years.

The current timeline:

October:	Concord to provide commitment for \$1million
10/31/22	Pre-application is due to DHCD
1/19/23	Full application is due to DHCD
Spring	Awards announced
2024	Closing, and add to SHI

If the project does not receive funding in this round, it will likely not move forward as costs will continue to increase and it will take many years before an alternative development plan for the site can be determined. The Town and the volunteer board of the CHDC have worked for a decade to bring the project forward to this point. These points are underscored by the fact that the Town has the funds available in the Trust right now.

This is the only significant affordable housing project in Town at this time, and supporting it will confirm that the Town does, in fact, supports affordable housing as well as taking steps to address climate change and energy conservation.

Thank you for your careful consideration of this important project.

Sincerely,

Lee Smith, President

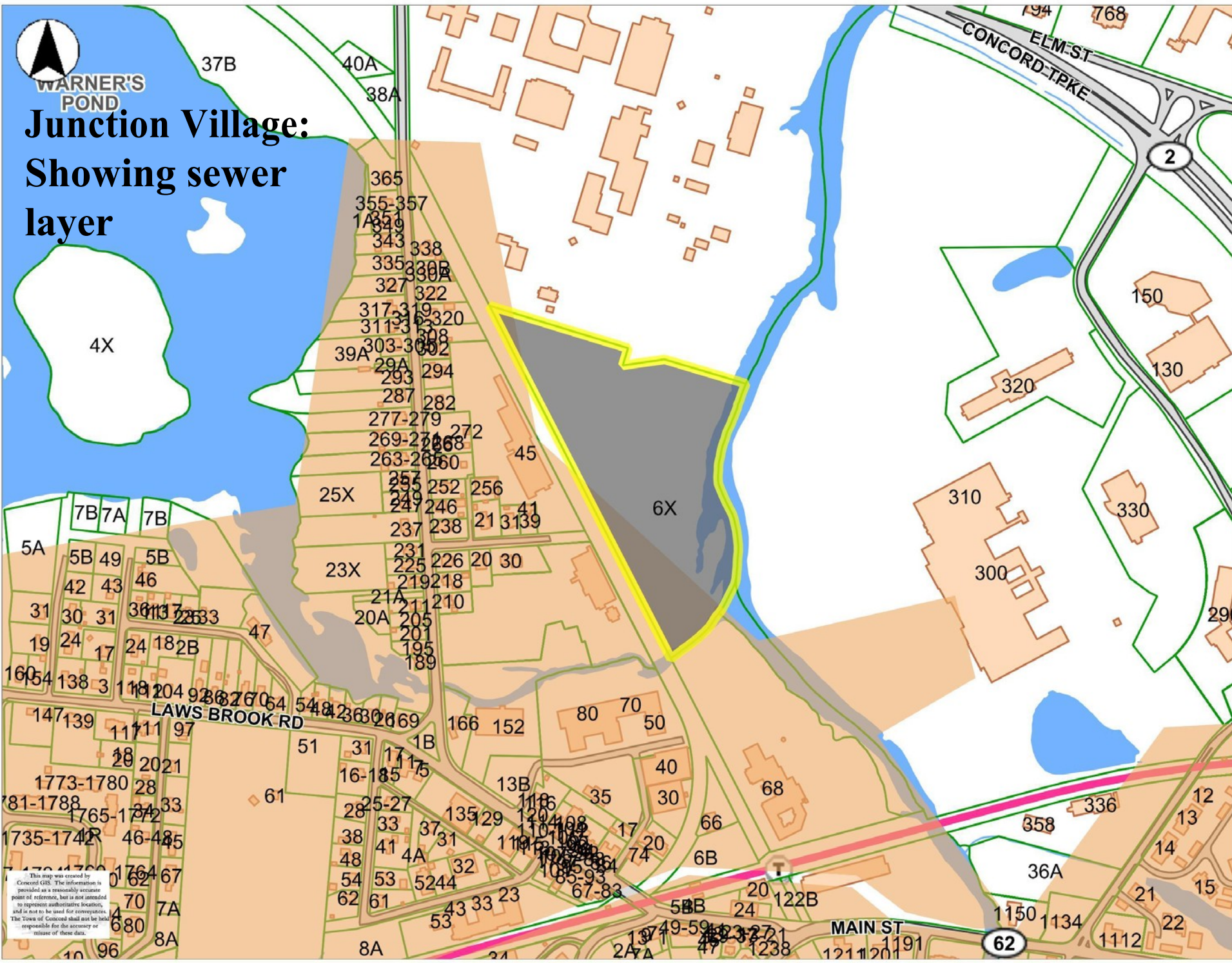


WARNER'S POND

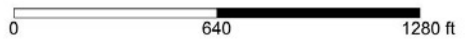
# Junction Village: Showing sewer layer



- Town Boundary - State Su
- Address Numbers
- Tax Map Parcel ID Labels
- Tax Map Parcel Area Lab
- Sewer Extent
- Buildings (ft)
- Parcels
- MA Highways
- Interstate
- US Highway
- Numbered Routes
- MBTA Commuter Rail Sta
- Railroad
- Streams
- Streets Area
- Rivers & Ponds



This map was created by  
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<b>Christopher Heights of Concord</b>			
SOURCES	February 2020 OneStop	2023 Sewer Connection	2023 On-Site Sewer
Permanent Loan/First Mortgage	\$7,288,127	\$6,029,577	\$6,029,577
9% Federal Tax Credit Equity	\$6,900,000	\$9,000,000	\$9,000,000
State ARPA Funds	\$0	\$7,000,000	\$7,000,000
West Metro HOME Consortium	\$485,398	\$655,743	\$655,743
CPC,Trust, Town of Concord Funds	\$2,000,000	\$2,000,000	\$2,000,000
DHCD HOME	\$825,000	\$0	\$0
Affordable Housing Trust Fund	\$1,500,000	\$1,500,000	\$1,500,000
Housing Stabilization Fund	\$1,000,000	\$1,000,000	\$1,300,000
Deferred Developer Fee	\$0	\$900,000	\$900,000
<b>TOTAL SOURCES</b>	<b>\$19,998,525</b>	<b>\$28,085,320</b>	<b>\$28,385,320</b>
	February 2020 OneStop	2023 Sewer Connection	2023 On-Site Sewer
Concrete	\$577,835	\$756,553	\$756,553
Masonry	\$166,400	\$225,400	\$225,400
Metals	\$190,164	\$257,161	\$257,161
Rough Carpentry	\$1,782,716	\$2,734,012	\$2,734,012
Waterproofing	\$173,638	\$253,826	\$253,826
Finish Carpentry	\$538,429	\$794,310	\$794,310
Insulation	\$100,916	\$158,134	\$158,134
Roofing	\$200,893	\$320,206	\$320,206
Sheetmetal	\$0	\$0	\$0
Exterior Siding	\$0	\$0	\$0
Doors	\$262,210	\$349,104	\$349,104
Windows	\$101,496	\$173,327	\$173,327
Glass & Glazing	\$60,788	\$90,529	\$90,529
Drywall	\$649,620	\$1,227,243	\$1,227,243
Tile	\$0	\$0	\$0
Acoustic Ceiling	\$93,600	\$127,100	\$127,100
Wood Flooring	\$0	\$0	\$0
Resilient Flooring	\$0	\$0	\$0
Carpet	\$268,003	\$336,657	\$336,657
Paint	\$214,723	\$265,692	\$265,692
Specialties	\$132,894	\$165,823	\$165,823
Cabinets	\$0	\$0	\$0
Special Equipment	\$117,107	\$170,450	\$170,450
Appliances	\$72,524	\$193,408	\$193,408
Blinds	\$42,354	\$60,463	\$60,463
Special Construction	\$0	\$0	\$0
Elevator	\$310,648	\$384,898	\$384,898
Plumbing	\$1,308,320	\$1,771,061	\$1,771,061
HVAC	\$1,365,416	\$2,108,066	\$2,108,066
Air Conditioning	\$0	\$0	\$0
Fire Protection	\$234,000	\$298,460	\$298,460
Electrical	\$1,398,800	\$1,947,041	\$1,947,041
Maintenance Building	\$0	\$0	\$0
Community Ctr	\$0	\$0	\$0
Other/Misc.	\$78,000	\$91,250	\$91,250
<b>Subtotal Structural</b>	<b>\$10,441,494</b>	<b>\$15,260,174</b>	<b>\$15,260,174</b>
Earthwork	\$1,509,137	\$2,652,987	\$2,652,987
Waste Water	\$0	\$500,000	\$1,200,000
Roads & Walks	\$0	\$0	\$0
Site Improvements	\$45,005	\$61,496	\$61,496

Geotechnical Conditions	\$0	\$0	\$0
Landscaping	\$208,547	\$338,625	\$338,625
Environmental	\$0	\$0	\$0
Demolition	\$0	\$0	\$0
Unusual Site Conditions	\$0	\$0	\$0
<b>Subtotal Sitework</b>	<b>\$1,762,689</b>	<b>\$3,553,108</b>	<b>\$4,253,108</b>
<b>Total Improvements</b>	<b>\$12,204,183</b>	<b>\$18,813,282</b>	<b>\$19,513,282</b>
General Conditions	\$456,167	\$638,499	\$639,750
P&P Bonds	\$165,000	\$218,977	\$219,850
Building Permit	\$175,000	\$255,000	\$260,000
<b>Subtotal</b>	<b>\$13,000,350</b>	<b>\$19,925,758</b>	<b>\$20,632,882</b>
Overhead	\$432,621	\$694,412	\$695,412
Profit	\$403,779	\$663,500	\$666,500
<b>Total Improvements</b>	<b>\$13,836,750</b>	<b>\$21,283,670</b>	<b>\$21,994,794</b>
Construction Contingency	\$690,000	\$1,065,000	\$1,100,000
Architecture and Engineering	\$715,000	\$980,000	\$1,000,000
Survey and Permits	\$15,000	\$25,000	\$30,000
Clerk of Works	\$210,000	\$325,000	\$325,000
Environmental/HazMat Engineer	\$0	\$6,400	\$6,400
FF&E	\$550,000	\$555,000	\$555,000
Bond Premium	\$0	\$0	\$0
Legal	\$125,000	\$150,000	\$150,000
Title/Recording	\$40,000	\$40,000	\$40,000
Accounting/Cost Certification	\$40,000	\$40,000	\$40,000
Marketing and Rent Up	\$800,000	\$800,000	\$800,000
Real Estate Taxes	\$0	\$0	\$0
Insurance	\$90,000	\$90,000	\$90,000
Relocation	\$0	\$0	\$0
Appraisal/Market Study	\$20,000	\$10,000	\$10,000
Security	\$0	\$0	\$0
Construction Interest Expense	\$235,000	\$355,000	\$363,876
Predevelopment Loan Interest and Fees	\$0	\$0	\$0
Inspecting Engineer	\$35,000	\$41,000	\$41,000
Fees to:	\$18,750	\$18,750	\$18,750
Fees to:	\$10,500	\$10,500	\$10,500
LIHTC Fees	\$63,750	\$85,000	\$85,000
Sewer Connection Fee	\$0	\$480,000	\$0
Credit Enhancement Fees	\$0	\$0	\$0
Letter Credit Fees	\$0	\$0	\$0
On-Budget Syndication Costs	\$0	\$50,000	\$50,000
Design and Construction Consultant	\$200,000	\$200,000	\$200,000
Other Consulting Fees:	\$0	\$0	\$0
Soft Cost Contingency	\$203,775	\$175,000	\$175,000
Replacement Reserves	\$0	\$0	\$0
Initial Rent up Reserves/Lease Up Reserves	\$0	\$0	\$0
Operating Reserves	\$800,000	\$1,000,000	\$1,000,000
<b>Total Soft Costs</b>	<b>\$4,171,775</b>	<b>\$5,436,650</b>	<b>\$4,990,526</b>
<b>Developer Overhead</b>	<b>\$400,000</b>	<b>\$400,000</b>	<b>\$400,000</b>
<b>Developer Fee</b>	<b>\$900,000</b>	<b>\$900,000</b>	<b>\$900,000</b>
Total Sources	\$19,998,525	\$28,085,320	\$28,385,320
Total Uses	\$19,998,525	\$29,085,320	\$29,385,320
Total Gap	\$0	-\$1,000,000	-\$1,000,000