

## **Faircloth-to-RAD PHA Peer Learning Session, 9-5-24**

Julia Jones: Welcome folks. We will get started here in a few minutes. We still have some folks joining us. Good afternoon. Thanks for being here.

Daid Iloanya: Good afternoon, everyone.

Julia Jones: Good afternoon. We'll get started here in just a second.

David Iloanya: No worries.

Julia Jones: All right. The waiting room is cleared. We might have some folks trickle in as we get started here, and that's perfectly fine.

Good afternoon. Welcome. And thank you so much for joining us for today's peer learning session on Faircloth to RAD. My name is Julia and I'm with Enterprise Community Partners -- will be the host for this webinar. Today's session is really intended to be a learning opportunity for peer PHAs to learn from each other's experience with Faircloth to RAD, rather than a more Faircloth 101-style session.

Worcester Housing Authority from Massachusetts and their development partner, Trinity Financial, are here to share their experience with us. For the first part of the presentation today, we have Peter Proulx, the chief operating officer of WOHA Here, as well as Mike Lozano, vice president of development with Trinity Financial. Following their presentation, we'll open the floor to a Q&A discussion with Peter, Michael, and Shannon, who is a RAD provider and brings more of a national perspective to the conversation.

Before I pass it over to Tom Davis for a quick welcome, I have a few housekeeping items to take care of. First and foremost, the webinar is being recorded and will be posted on RAD Resource Desk along with the presentation so you can review these materials. If you're not able to stay for the whole session or just want to review them again. Please note that the participant audio is on, so you have the ability to unmute yourself. This will help us facilitate our open discussion later in the session where we'd like to have an open dialog between PHAs. But for now, we ask that you mute yourself. You can view closed captions during the webinar. You can click on the CC icons in the controls toolbar. And finally, immediately following the webinar, you will receive an invitation to complete a survey on today's session and we ask that you complete that with any feedback you have for us on today's session because we have one more of these sessions later this year. Now I'll turn it over to Tom Davis, director of the Office of Recapitalization, for a few words of welcome.

Tom Davis: Thanks very much, Julia. And thanks to all of you for joining today. I think that it's really exciting that all of you are thinking about how to restore the subsidy that you may have lost over the years, and how you're thinking about rebuilding your portfolios using your Faircloth authority. And we're really excited about that. And I think today has a really great case study of a housing authority that is using some of the great new tools that we've been able to develop to

help you in doing that with the rent augmentation tool, which you'll hear more about. The Worcester Housing Authority was the first in the country to use this new tool. It is very similar to a tool that MTW agencies have had for a while.

But last summer we were able to make this tool available to housing authorities across the country not just limited to the MTW. And huge congratulations to the Worcester Housing Authority and Peter and his team to -- in seizing it and figuring out how to make it work and helping us break the ice. And thank you for being our guinea pig on it. Really appreciate that. And so with that, just really psyched you're here. Really psyched that you're thinking about the opportunities with Faircloth RAD. And glad we've got a really good case study for everyone to learn from. So, thanks all. And with that, I will turn it, I think to Peter, right?

Peter Proulx: Yes. Thank you very much, Tom. Great. And good afternoon, everybody. At least those of you who are not on the West Coast. Good morning to you. The Worcester Housing Authority is in central Massachusetts. We have about 3000 hard units and 4200 vouchers that we administer and manage. We at one time were split between federally aided public housing and state aided, where one of the few states that do have a sizable amount of state aided public housing. And over the last 15 years or so, the Housing Authority has reduced its portfolio of state aided public housing from about 800 units down to what is now just over 400 units. And after our next two projects are completed, we'll be down to less than 100 units of state aided housing authority.

And during the same time, we're increasing our numbers of federally aided public housing through Faircloth, and we are increasing the overall number of affordable housing units greatly here in our community of Worcester. So, I just wanted to point out one other unique detail for Massachusetts Housing Authorities. We have a very active state housing program, and the Commonwealth of Massachusetts has provided additional funding towards these types of renovations and redevelopments for housing authorities through a program called innovations.

The Curtis Innovations Project was kicked off in 2021. Once the Worcester Housing Authority was awarded \$5 million in funds from our Executive Office of Housing and Livable Communities, we issued a RFP for development partner, and we're very fortunate to be able to partner with Trinity Financial -- very well-known firm who has done a number of other projects and, and has really been a great partner on this project here at Curtis.

In Worcester our public housing, whether it was federal or state, is relatively between 60 and 70 years old. And although the Housing Authority has really done a great job over the last 70 years of maintaining that property in a usable condition, it is really time for us to start thinking about not only renovating and adding modern day amenities, things like elevators and sprinkler fire suppression systems, but also increasing the number of affordable housing options that the residents of Worcester have. So, we're very excited about this project. I'll let Mike talk a little bit more about the Curtis project itself. And then obviously here to answer any questions on behalf of the Housing Authority.

Michael Lozano: Okay. Thank you, Peter. So as Peter mentioned, my name is Mike Lozano. I'm a vice president of development with Trinity Financial. Trinity was founded in 1987 and based in headquarters here in Boston, Massachusetts. We also have an office in New York City. We've long worked throughout southern New England, sort of in the corridor between Boston and New York. And we have spent a considerable amount of time and effort working with housing authorities to redevelop and assist them in redeveloping some of their older, needy public housing sites in Massachusetts. We've completed six major redevelopments of public housing sites, and we are one of the first working with the Boston Housing Authority's one -- one of the first to be able to completely redevelop a very large state public housing site.

As Peter mentioned as well, Massachusetts is one of only four states in the nation that has a state assisted public housing. Massachusetts has over 30,000 units of state-aided public housing. And as he mentioned, the as you can imagine, much like federal public housing, many of those sites and units are in fairly severe need of major capital improvements, in some cases complete redevelopment. And while federal public housing had a lot of resources sort of available through HUD to sort of embark on those redevelopments like Hope six and Choice Neighborhoods. The state public sites didn't really have that. So, Massachusetts sort of modeling their program, their new program on choice neighborhoods somewhat, they created this innovations, this public housing innovations program, which has been really great and sort of was able to allow the Worcester Housing Authority and we at Trinity to really embark on.

This this image here that you see, is actually the original sort of construction of Curtis Apartments. It's on the eastern sort of gateway side of Worcester, heading into the city. As you can see at the time, it was mostly farmland. This site eventually became 372 units of state aided public housing. And just to the north, in this image, the top of this image that actually became later on over 500 units of federally assisted public housing, really creating an entire neighborhood.

So, Curtis the housing authority brought us on and had this vision and, and recognized that Curtis Apartments really needed, again, some major, major intervention. As Peter mentioned, the property was originally built in essentially 1950. It's over 70 years old at this point. It was sort of built in the style of the day, sort of barrack style buildings. The infrastructure is completely outdated in, in, in many cases as sort of currently failing all of the underground infrastructure is starting to fail at this point. The buildings are horribly outdated as it as it relates to energy efficiency. And really just needed to be completely envisioned anew.

So, our primary goal was to preserve -- as you can imagine, Massachusetts as well as many, many, you know areas across the country are really experiencing a housing crisis. This site is a really critical affordable housing resource for Central Massachusetts. It was absolutely paramount that we preserve all 372 existing state-aided public housing units, no matter what we did. And at the same time, we had an opportunity to add more affordable housing units. Worcester has one of the lowest vacancy rates in the country at this point. And it was really important. This was an opportunity where we could actually add some units to the site as we were remaking the neighborhood. And we wanted to replace all of the outdated 70-year-old buildings with new, modern, state-of-the-art buildings.

By doing that, we would be dramatically improving the energy efficiency and sustainability. The as many of you know, an older public housing, there's very little accessibility. These were all walk up buildings family housing. There was very little accessibility originally planned. And even as it exists today, there's very little accessibility in the buildings and across the site. So, this gave us an opportunity to make all of the buildings completely accessible, as well as to drastically improve accessibility on that site. We were able to redesign new open spaces, provide new playgrounds and outdoor amenities. We're obviously improving stormwater management. And we're able to improve and, and essentially replace all of the infrastructure and utilities throughout the entire site.

So, this is an overhead image of the Curtiss apartment. So, as you can see, it's a large site -- large interconnected buildings that really are outdated. Most of the site was covered in asphalt and pavement, and we'll get to some images for that a little bit later. And so, we, working with the Housing Authority, we came up with a plan to completely rebuild the site. Obviously, for a site of this size, it was going to take a lot of planning and a lot of phasing in order to make it work. So, we created a phasing plan, new site plan, phasing plan, and we last year -- or about two years ago -- embarked on putting together the, the plans and financing package for phase one.

So, this is an overhead image of the -- what will be phases one and two. The phase one actually is sort of these sort of ghosted buildings to the sort of eastern side of this, this image. Phase two are the buildings that are depicted here closer to the neighborhood. And as we sort of move to the west, closer to the neighborhood outside of the site, we begin to transition down, we introduce some new townhouse style buildings, and again drastically increase the amount of landscaping, open space, outdoor amenities.

And here's another view of the site plan focused on phase two, actually. But you can see phase one here as well. These are some images of the existing Curtis apartment site. As you can see it is familiar to many of you. I'm sure with much of the public housing that was built in the late 40s and the 50s, but again, three-story walk-up buildings, masonry. Very little, if any accessibility. Many of the buildings have no accessibility at all. And you can see a lot of the infrastructure starting to deteriorate in a lot of the areas of the site. And the fairly extreme amount of pavement and just general unfriendliness.

It was time for something new. And these are some images, again, something I'm sure many of you are very familiar with. But this is a very important housing resource. They provided comfortable, relatively safe housing for generations of families. But not really up to current standards. The apartments are very small. They typically had fairly little natural daylight. Windows were relatively small. As you can see, the kitchens were all very, very small. And in fact they most of them did not have actual full size appliances and is completely time to redo these buildings. The climate control in these units was also horrible. And as many of you know climate control essentially is like opening a window in the winter. And that is not a not up to current standards for energy efficiency by any means.

So, these are just some images of projects that Trinity public housing -- redevelopment projects that Trinity has relatively recently completed. Again, sort of throughout the northeast Massachusetts, Connecticut, Rhode Island, and parts of New York. So, as you can see, by doing

embarking on this, the Housing Authority is able to drastically improve the sites for their residents. And in every case, I think you know, it's been well received both by the residents, neighbors, stakeholders. You know, these are really transformative projects that we've been able to embark on and something that we're incredibly excited about working with the Worcester Housing Authority on this project.

And this is these are just some images of some of the new amenities and the way we envisioned as we were doing the planning, working with the Housing Authority to envision the planning for the site. We wanted to not just build sort of passive green spaces. We wanted to make sure that we were working with the housing authority, working with their resident services staff and, and other stakeholders, working with the neighborhood to find out what is really needed in the neighborhood. You know, we wanted to program. We designed and programed these spaces so that they can really be true amenities for the residents who live here.

These are just some images of some recently completed projects. Again, just like the exterior images that I showed that Trinity has worked on working with public housing authorities. The new buildings and apartments are truly state of the art. They are they are as good as luxury apartments that you will find in any sort of luxury building throughout Worcester, throughout eastern Massachusetts and other communities. They really are a place that people can call home.

And again, I'll just quickly run through some more images of phase two. These are the townhouse style buildings. Phase two. Actually, we will be building completely to passive house standards. So, we're going -- phase one actually was quite advanced as it relates to energy efficiency and sustainability. Phase two is going to go even further and implement full passive house standards as we go. And again, more imagery showing the redeveloped site once we get through phase one and phase two.

And then just a few more details about sort of the financial structure, program and financial structure, particularly of phase one. Since we have relatively recently closed that that phase of the project to really get things started and are well underway in construction now. So, phase one is 129 units of the overall 527 that will be built out through the four phases. Again, that 527 units -- of that 527 units, all 372 units that exist today will be rebuilt. In phase one of the 129 units, 90 are replacement state public housing units. 29 of those are the Faircloth to RAD units that we're here to talk about today, and 61 of those are now supported by section eight project-based vouchers that the Housing Authority was able to provide. The remaining units are new units that were adding to the portfolio.

Those are all LIHTC eligible. 14 of those rights are reserved for families earning up to 60 percent of AMI. And the remaining 25 are for families up to 80 percent of AMI. And we expect there to be a good, diverse cross-section of residents who live on the site as we go forward. As you can imagine, the financial structure is incredibly complicated. And it took a lot of participants, a lot of partnership working with the Housing Authority, working with HUD, the state of Massachusetts, the city of Worcester, all working together to really make this happen. Again, as Peter mentioned, sort of the early -- sort of catalyst for this was the state putting together this, this state Public Housing Innovations Fund, and they provided sort of the first in funding for the project.

The state, the Executive Office of Housing Livable Communities also was able to provide some, some moving to work capital funds that they had access to. So, they were able to provide that to the project as well. The project relies very heavily on four percent and state low-income housing tax credits. So that provides the bulk of the capital stack. HLC again, the Executive Office of Housing and Livable Communities at the state level provided another approximately \$10 million of subsidy to the project. Mass works, which is a state level infrastructure improvement fund, was able to contribute some funds, mass housing, our state financing authority provided some additional subsidy as well as provide the tax-exempt bond financing for the project and the city of Worcester provided quite a bit as well.

So, one of the most important pieces of the project was the Faircloth RAD, and it was something that really, really made the project feasible. I'm not certain that it could have been done honestly without it. And I think that it's an incredibly valuable resource and program that HUD has been able to put together to allow the housing authority to access their Faircloth -- available Faircloth authority to add new units to their portfolio. One of the things that occurred as we were going through sort of the pre-development planning for the project and trying to get this thing all put together was that and I'm sure many of you have experienced this, but as we were going through the early sort of financial structuring design of the of the project we encountered, we in the Housing Authority encountered fairly severe cost escalation as we went.

So as everybody you know, in your daily lives has experienced inflation, we at the project level, we're seeing crazy amounts of construction cost escalation at the time coming out of Covid. At the same time, we were seeing interest rates completely skyrocket. So, we were at interest rates for construction loan debt below four percent just a few years ago. And as we were in pre-development now, the construction loan pricing that was coming back was going above seven percent. So those two things in combination were adding enormous amounts of cost to the project. And so, we had to really scramble to work with all of our partners to kind of come up with ways that we could make this work. One of the ways that we were able to make this work was, and we're incredibly fortunate about this, is that HUD implemented the, the new sort of rent augmentation option for the fair cloth to rad. So, when we got the NAR, the Notice of Anticipated RAD rents, as again, many of you know who have gone through the RAD process. RAD rents again very valuable resource.

But RAD rents are typically pretty low. And particularly in Massachusetts they're well below fair market rents. And so again, it's very important, a very important resource. But it was not able to like really provide much in the way of an operating subsidy to those units. And we were really scrambling to kind of fill this gap that we were experiencing. So, with the rent at augmentation option when it came available to us, it really was one of the primary pieces that kind of filled the gap for us, it was allowing for us to get the financial feasibility for the project back in order. And we are happy. We're very happy that we were that we were the first ones that were able to utilize it and get the project closed and underway.

So, these are just some notes about sort of some lessons learned as we went. Again, the rent augmentation, in this case, it provided about \$250,000 a year in additional income to the project on an on the operating side, that allowed us to leverage several million dollars of additional permanent debt. That, again, helped us close that gap that we're seeing and get to a closing and

get under construction. You know, it's important to note that the Housing Authority really had to step up for this because the housing authority needs to contribute some of their reserves in order for the rent augmentation to actually work.

So, working very closely with them, we were able to structure it so that it does work, that there's not too much impact to them, or at least they know what's going on with it. And obviously, you know that that makes everything work. Some other lessons learned as we go through this just with the Faircloth RAD. Like we had to get the state partners really up to speed on what? How you know, how Faircloth to RAD works. The state was not very, very familiar with it. We were one of the very first in the state of Massachusetts to implement Faircloth to RAD. So, we had to spend a ton of time making sure that HLC and mass housing actually understood the sequencing, how it works and made sure that they were comfortable that everything was going to work, putting it together. And then the other sort of lesson learned is early planning. Like, you really need to plan early, early for a lot of things. And you really need to make sure that all the parties are on board and really get their questions answered early. So, making sure that all the notices are in place. I know HUD, I think has been great about recognizing issues with the program. And sort of streamlining.

Again, I think the intent was really was to streamline the process of creating new public housing and converting it through RAD to section eight. And I think that really has occurred. But even as you know, from when we went through the process to now there's continually new improvements that HUD has been making that I think has been really great. Relocation, if you're working on a redevelopment site like we are, relocation is incredibly complicated and something that really takes a lot of planning early on. And then other things like going through the HUD process like design review, the site and Neighborhood Standard review, environmental review. Super important to get on those like really early on and make sure that HUD is involved early on. It'll help get through that process. And again, they they're incredibly collaborative from, from this. So communicating with them early on from our perspective really pays off.

And I'll just kind of wrap up, we're again, we're happily in construction. We started construction at the end of May. We're about -- knock on wood -- about four weeks ahead of schedule right now, and everything is going very, very smoothly, which I do not always say about all of my projects, but we're very happy. So I'll, I'll conclude there and turn it back over to you, Julia. And we can we can open it up for questions.

Julia Jones: Wonderful. Thank you, Michael and Peter, for that fabulous presentation. I want to invite everyone to come on camera if you're comfortable. This session, again, is meant to be more of a conversation between PHAs for us to learn from one another's experience. We all have something to contribute here. And so, you can use the raise hand function in zoom to ask a question. I'll call on you and ask you to unmute to ask your question. To raise your hand, you can select reactions on the bottom bar in your zoom. Select, or if you can't see reactions, you might have to select more and select the raise hand function. You can also message me in the chat with questions. I did disable chat. But you should still be able to message me directly if you need to ask a question that way. I'll be facilitating the Q&A. But we have folks here to answer your questions, so Shannon actually had to hop off for a moment, but she will be back on to offer her national perspective. We also have Peter Proulx, obviously, and Michael Pisano here. And some

folks from the Office of Recapitalization are here to answer your questions if you have questions for them as well. So, it looks like we actually already have a hand up. So, I'll go ahead and call on David to ask your question.

David Iloanya: Yeah. Peter and Michael, great presentation. Emphasis here is on the use of the Faircloth units. So, I know you did mention the augmentation of the of the Faircloth to sort of help you through the gap closing given the escalation of the interest rate and cost. So, what was the cost per unit of based on your proforma? And how did that augmentation -- how far did it go to bring it down to allow you to close the gap?

Michael Lozano: Yeah. Yeah. Well, that's a good question. Construction costs in Massachusetts are incredibly high. Incredibly high. And while Worcester is not like, downtown core Boston construction, that doesn't really provide any, any relief from the construction costs. Again, because we are completely rebuilding the infrastructure, and, like, we had very high relocation costs, as you can imagine, because the market is so constrained here. Transactional costs are high. We are just about \$800,000 per unit for phase one. We had a gap at the time when we really were exhibiting or experiencing this super rapid cost escalation. We had a gap of about \$7.5 million. The rent augmentation was able to kind of bring that down by, by about two million. And then we were able to fill the rest through a whole bunch of other working with the state and, and other financial partners. We were able to close the gap by, by getting them to contribute more. Otherwise sort of economizing as we went.

David Iloanya: Right. You only applied 29 Faircloth units, if I'm not mistaken. Right?

Michael Lozano: That's right, that's right. At the time, we were trying to keep it under sort of what we what was a 25 percent limit for the Faircloth units. But at the same time, the housing authority doesn't have a huge Faircloth availability. So, we didn't want to use it all up right at once. And there's a lot of work for the Housing Authority to do. So, we wanted to make sure we look far into the future beyond this site, even for the housing authority.

Peter Proulx: And the Worcester Housing Authority has a cap of 2,729 units. And of that we have about 250 available Faircloth cap units which we have a number of different projects and ideas for projects. So, we didn't want to simply utilize all of them on one individual project and on one individual phase of that project. So, it also benefits the Housing Authority to be able to be working in different areas of the city on similar developments.

David Iloanya: Yeah. Excellent. Thank you. Appreciate it.

Julia Jones: Wonderful. I have a few -- I'm sorry. Go ahead, Peter.

Peter Proulx: Just to add some of the comments that Michael had. You know, Massachusetts, like a lot of your states, is -- has housing costs of unbelievable scale and increases over the last number of years. So new houses in the Boston area are astronomical. We are in Worcester. We're about 45 miles away from Boston. But we have also had a reciprocal increase in the cost of market rate units. There's been a lot of development of new market rate apartments, but the Housing Authority presents about 3000 units just from its public housing stock for affordable



housing in the city. We have a less than one percent vacancy rate on average. And we have over 30,000 applicants for housing if you were to add up all of our different apartments. So, you know that need for affordable housing drives the cost all the way up through to the market rate level as well. So -- .

Julia Jones: Thanks, Peter. We have a question in the chat from Dover Housing Authority. I'm not sure if this was just answered by you, Michael, or if it's a little bit different, but their question is for augmented rents, how much more of an increase did that give the housing authority from converting to RAD with augmentation?

Michael Lozano: Yeah, yeah. I mean, just to provide a little more detail there, I think in our case in Worcester and with this project, it was about \$400 to \$500 per unit per month increase in subsidy over the sort of standard RAD rent that we got with the NAR, the Notice of Anticipated RAD rents. So, it really is substantial. It really adds up. And across those 29 units again, it was another quarter million dollars of income to the project that we were able to leverage towards additional resources to get it done.

Julia Jones: Great. And we have another question from Dover that likely a lot of folks have questions about. So, I'm glad they asked it. What options did you offer for relocation was in place or on site in option? And then if you could just talk a little more about relocation as well, I'm sure folks have questions about that.

Michael Lozano: Yeah, yeah, I can start, Peter. And then you can jump in with this. But so, we worked we brought on very early -- include and actually included as part of our team in our response to the Housing Authority's RFP originally -- our housing, our relocation consultant HOU housing opportunity is unlimited. So, we had we involved them very early on in the planning and the the whole process as we went because relocation is incredibly critical to the whole project. And we worked closely with the state to make sure that they reviewed all the plans.

Basically, and we're somewhat fortunate here because the Worcester Housing Authority is a fairly good-sized housing authority. The first option was to provide apartments for affected or impacted residents within the portfolio. So, we worked very closely with the Housing Authority staff. The Housing Authority was very proactive in planning to kind of keep units open once they were once they became vacant through attrition, we moved some residents into other latter phases of Curtis. So, some of the residents stayed on site but will eventually move. Some of the residents were able to be accommodated at the federal public housing site just across the street.

So that was very good. Some residents were accommodated elsewhere in the city, in the Housing Authority's portfolio, and then a relatively small number of the residents were able to be relocated off site utilizing mobile vouchers. The other thing that was sort of an advantage for phase one, and it was really important as we were planning, is that we actually wanted to demo sort of the smallest number of units as we could in the first phase and build the most units that we could so that we would have units for people to move sort of directly into, as well as move back to.

So, in the first phase, we only had about 70 households that we needed to relocate. But that was part of that planning that we had to do to make sure we went through many, many iterations with the housing authority, with HOU and with everybody to make sure that it could work. But still major challenge, major challenge. And as we're getting into phase two and planning for phase two right now, it's an even bigger challenge because now these units are offline.

Peter Proulx: Yeah. And just to reiterate luckily this site, the Curtis Apartments, which was a state aided development with 372 units, was literally alongside our great Brook Valley Gardens Apartments, which is a HUD-aided federal public housing development built back in the same time period as Curtis Apartments, but has 535 units there, so that offered us some opportunity. In addition, as Mike said, planning is everything.

So, the first set of buildings that the team chose for phase one included one building block that had 18 units, old apartments that over the 70 years have been converted to office space for the housing authority. And many of you probably have similar things where at one time it seemed like a good idea to take a unit offline and put office space in there. And now we realize that that's just not tenable and we need to be going the other way. So, they did give us some advantage in the scale of the number of people that needed to be relocated by advance planning.

Julia Jones: Great. I want to extend the invitation again for folks to raise their hand if you'd like to ask a question, and also feel free to put it in the chat if you're unable to come off mute. I will go ahead and pass it over to Natalie.

Natalie Hanson: Hi everybody. My name is Natalie Hanson. I'm here with the Cambridge Housing Authority. Thank you for your presentation. I have a couple of questions about the rent augmentation. So just looking for some detail. You mentioned that you used reserves to cover that amount. Can you tell us a little bit about which reserves you were drawing from for that and then moving forward on an annual basis, how are you covering the rent augmentation on those units?

Michael Lozano: Yeah, I can tell you.

Peter Proulx: That for the housing authority the housing authority has about 4200 vouchers that we administer altogether between in Massachusetts. We have MRVP as well as the Housing Choice vouchers through HUD. And we have a I would not say sizable, but we have a plentiful reserve for our HCV program. And those are the funds that HUD is allowing us to use to augment these rates. These rates. I'm sorry.

Natalie Hanson: Yeah, I'll just piggy-back on that. The RAD supplemental notice that was published last year, allowing non-MTW agencies to use reserves as specific to HCV HAP reserves. and there -- the non-MTW agencies are funded differently. Specifically with regard to like the original 39 MTW agencies such that when they use reserves in that first full year after conversion to augment their rents, their renewal formula picks up that expenditure as part of their baseline for their renewal the next year. So, they don't actually have to account for it in years two through 20?

Michael Lozano: Yeah. And that's the great advantage of it. So, it's able to you know, the housing authority you know contributes. But it really provides the resources to make these units possible through the creativity of HUD, I would say.

Peter Proulx: Yeah. And there was the Housing Authority through our, our CEO Alex Corrales, and our Board of commissioners are very committed to expanding the amount of affordable housing as much as possible in Worcester. So that that kind of -- that dedication to making the project successful was, was certainly taken into account making that decision.

Julia Jones: Other questions from the audience? I have one that just came in the chat. While construction is happening in the Faircloth to RAD isn't turned on, where does the money to pay for rents come from?

Michael Lozano: That's a that's a great question. So, I think HUD was very was very specific and very clear in pointing out about sort of the sequencing of how this was going to work. And I think -- that was very much appreciated. This was new for us. I think it's new for a lot of people. And everyone starts starting to learn Trinity, all of our projects, we seem to be the guinea pig for. So, we're cool with it. It's okay. But there's a lot of learning and a lot, again, a lot of planning that had to go into it. So, I know that most on the call are fairly familiar with the way that Faircloth to RAD is working. But basically, we are building new public housing units, new federal public housing units and then almost instantly converting them through RAD to section eight.

But that sequencing -- there is a fairly or possibly a fairly significant delay between when the subsidies for those new units can come in. So, we had to plan for that, and we did by capitalizing or reserve within the development budget that could accommodate any of that gap that would occur. So, we can draw through from that operating reserve to fill in the gap until the actual subsidy turns on. But it took a lot -- you know, we had to do a lot of calculations to make sure that we were covered in the worst-case scenario that timing wise, the new section eight reimbursements weren't coming in for a whole year. And obviously we had to make sure that mass housing was really comfortable with that, as well as all the other financial partners. So, everyone looked at it very closely. But we capitalized about a \$400,000 -- a little over a \$400,000 reserve for that.

Julia Jones: Thank you, Michael. I'll invite Margaret to ask your question and welcome back. Folks may recognize Margaret from our previous session.

Margaret Moran: Good afternoon, everyone. I'm Margaret Moran, also from the Cambridge Housing Authority. So, I heard the answer regarding the augmentation of the RAD rents as it relates to non-MTW agencies and specifically the original 39 agencies. But does it impact the expansion of MTW agencies differently because they have obviously a different formula or MTW agreement as the original 39?

Stacy Harrison: It does. Yeah. The expansion MTW agencies funding renewal formula is more similar to the non-MTW agencies. So, while a non--- or -- excuse me while an expansion MTW agency can has a little bit more freedom or flexibility in which projects they can use HAP reserves or their MTW funds to augment rents. They don't have to meet certain criteria the way a

non-MTW agency does. Their expenditure of funds that they use to augment rents gets picked up in their renewal baseline the following year. And that's different from one of the original 39 MTW agencies that their renewal is not based on expenditures, but they get renewed for dollars even if they are not expended.

Margaret Moran: And Stacy, does that overwrite it seems like one of the non-MTW agents or non-original MTW agencies that were working on? So, the expansion agency. So, it's at the right way is being limited by their PUC and the, the inflation adjustment that happens to the PUC because it seems like the renewal factor is the lower of what you've actually expended or what your PUC adjusted for inflation times the number of your ACC units.

Stacy Harrison: I'm not actually sure. That I that's probably a good question to take back to the MTW office too. But if you want to email me separately.

Margaret Moran: We can circle back on that.

Stacy Harrison: Yeah.

Margaret Moran: Okay. All right. Thank you.

Stacy Harrison: Happy to.

Peter Proulx: Now, Margaret, as an expert in all of this, you're not allowed to ask any more questions.

Margaret Moran: Sorry, Peter, but love the work that you're doing for certain.

Julia Jones: We're all here to learn from each other. That's why these sessions are great. Geoff, you have your hand up.

Geoff Moen: Yeah. Thank you. I -- first of all, I just want to say that I'm with Hecla in Los Angeles. We've submitted a number of NA requests to HUD, and I just want to say publicly that just working with the team there with Stacy and everyone has been amazing. I really appreciate all the help and the commitment to it. I really just had a more of a broad question. I know I asked this directly on another call, but I know that the for the non-MTW agencies, the rent augmentation NA submittal deadline is coming up at the end of the month. I'm just curious if you have any thoughts about now -- how long or if that ability will come back or if there's any thinking about that. And if and if you anticipate any other changes happening to the program for non-MTW agencies after this month.

Stacy Harrison: So, we're not entirely sure. You know, what -- how long we might be sort of on pause as far as accepting NA requests to augment rents. But if you've submitted your request prior to the September 30th deadline we'll process it. You're kind of in the door at that point. There's a review of an evaluation that we're actively working on finalizing right now. To kind of anticipate what the impact on both the public housing and section eight like programs will be based on this expanded flexibility. So project planning can take years. So, the sort of fortunate position we're in right now is that we've had a lot of interest, but a lot of projects are so early on

in their development plans that the foreseeable impact on the programs is not as significant as it could have been. And like by opening the floodgates to that, like flexibility to augment rents. So, we do think that we'll probably pause for a little bit and then be able to open back up the opportunity to -- for PHAs to continue requesting NAs with rent augmentation. But you know, that's not a promise. We -- it's unknown at this at this point, but that's what we've been anticipating.

Julia Jones: Great. I'm wondering, Michael and Peter -- something that's come up a lot is the importance of phasing in these projects. And so, we talked about how relocation needs impact phasing, how subsidy requirements and the process can impact phasing. What other considerations did -- went into the Curtis Park Apartments project in regard to phasing?

Michael Lozano: Yeah, yeah, I mean it is -- there's like a whole number of factors that really play into it. Yeah. As you as you mentioned, relocation is a huge one, which we talked about. Another one is really the availability of resources. So, we're fortunate in Massachusetts that the state has recognized that there really is an affordability crisis and that housing crisis -- and that they have really stepped up to provide affordable housing resources, to build new affordable housing, or to do redevelopments like we're doing. But at the same time, there's still tremendous constraints on a per project basis. You can only do -- like we'd love to build 372 or 527 units in one fell swoop, but there's just no possible way to do that. So that was another major factor. We're pretty fortunate on this project that we're actually able to do pretty -- like, pretty big projects on a per project or per phase basis. So, phase one is 129 units. Phase two, which is very actively in planning right now, and we actually have gotten most of the resources in line for is actually going to be 150 units, which is quite a bit bigger than a lot of the sort of affordable housing projects that are able to be supported right now. So, we're pretty happy about that. But that's really the limit.

We -- while we might want to do 200 units, you just kind of can't because the resources aren't there. I mean, we're also utilizing 4 percent low-income housing tax credits that you require tax exempt bond financing. And the volume cap constraints in Massachusetts are enormous. And so, we have to be work very closely with the state to make sure that we can actually fit into any volume cap, affordability. And we're actually seeing right now that that is really the constraining factor for a lot of these projects.

The other piece is with the infrastructure. So, we need to make sure that all the rest of these units, as well as the rest of the neighborhoods, can still function while we're constructing it. So, we had to work really closely with National Grid, the electric provider in the area, as well as Eversource, the gas provider, to make sure that we could sequence with them. You know, all of the improvements and capacity increases that were needed from an infrastructure basis. So all of that sort of played into the phasing and how we planned it, but we had to spend a ton of time with our design team, with the housing authority, with the housing authority's operations staff and the city to make sure it all worked.

Peter Proulx: Yeah, not to duplicate, but Mike's absolutely correct, especially the lack of housing tax credits, the availability here in Massachusetts, our cap is met years in advance. Nine percent usually aren't even a thought in our process or thought. And the four percent are also

overcommitted. So, anybody from other states that would like to talk to the IRS and see if we could send some of your unused credits this way, we'd be more than happy to do so. And same thing on the team side of things -- you know, our FSS program has already been reaching out to these residents, even though they were state public housing residents before. We are already the housing authority is already providing services to them to make sure that all of their needs are met during this transition period.

Julia Jones: That's very helpful. Thank you both. It does look like Shannon has hopped back on. Shannon provides technical assistance to public Housing Authorities looking to reposition their portfolios throughout the country. So, she has some additional perspectives that we're excited to hear if folks have any questions for her. I quickly wanted to launch a poll to gauge where folks are in terms of your experience with Faircloth to RAD, so I just launched that. Now, if folks could take a second just to answer, what statement best reflects your experience with Faircloth RAD and where you are in the process?

Great. It looks like a few folks have received their Nar. A few folks have not taken any action but are interested. Some folks have had their preliminary conversion call with HUD and OPHI. We have five who have clothes on a Faircloth to RAD project. That's great. Share the result with you all so you can see each other's answers. I also invite folks to again raise your hand to come off mute to ask any questions of our panelists. You can also send me questions in the chat. I just received one. The question is when did project concepts first begin? Can you speak more to the early timeline and how the RFP was generated?

Michael Lozano: Yeah, Peter, you can take that. You guys were working on it for a while before us.

Peter Proulx: Yeah, we were actually in association with the Cambridge Housing Authority. Grabbing some ideas from Margaret on ways that we could increase the number of units that we have here in Worcester through straight federal programs, including Faircloth. And along came the Commonwealth of Massachusetts and their innovations program, where they reached out and said that -- you know, they realized that some of their older state family housing called chapter 200 housing here in Massachusetts was a great need of either revitalization or complete redevelopment. And that changed our focus a little bit. We're still moving forward on some of the other projects. And Shannon knows that she's assisting us on a federal project where we're doing a section 18 right now.

But we changed our focus and really started to look at Curtis Apartments. And what we wanted to do was to look way down the road. The Housing Authority was very interested in expanding the number of affordable housing, but specifically those opportunities going to our waitlist applicants. So, like most of you are 3000 units, the average is well below 30 percent of the AMI for income for those units. So, most of our waitlist applicants are in that that same category. And we knew that we wanted to not just find a way to build additional units of affordable housing, but also make sure that we can pull from those waitlists and actually house additional people in our community that needed assistance.

So, into our RFP, we wrote a number of different clarifications that we wanted the various proposers for development partner to present, and we wanted to know how many additional affordable housing units we could have. How many of those would be into different categories, whether it be 30 percent AMI, 60 percent AMI, 80 percent AMI. And most importantly, we wanted to make sure that at the end of the 15-year term, there were very good terms for the housing authority. If it chose at that time to purchase back the development. So, we wrote in some clauses that would ensure that as proposals came in, we would be able to reach those goals.

Michael Lozano: Yeah. And Peter, you were able to get like very early on because innovations much like Choice Neighborhoods is structured innovations had sort of a planning component. And then like an implementation component. So, the planning component would go out to a whole bunch of housing authorities so they can look at these things and test feasibility and find partners and all that stuff. And then there was an implementation phase to really get the big funding. The capital funding is to really to pull this together. But you are one of the early ones to get the, the both the planning component of the Commonwealth of Massachusetts Public Housing Innovations funds as well as the really one of the first to get the implementation as well.

Peter Proulx: That's correct.

Michael Lozano: It was years. It was years of planning this. It actually -- once we got involved, it actually went pretty fast again, because I think that there was a lot of support, a lot of a lot of buy in from the state delegation, from the federal delegation up and down stakeholders, I think that there was a real recognition of the real need here. So, it went really fast. But you know, the Housing Authority headed by Peter really spent a lot of time to make it happen.

Peter Proulx: Well, really, it's a whole team, that's for sure. And teams, teams very important to the city of Worcester has been a great partner. Along with us, we're going to be able to build in a branch of the city public library right here on the Curtis site. Yeah. But it seems like it went really fast because innovations came along in '21. But the Housing authority has been kind of working at these things for about 20 years.

So, for some of us -- I've been here in this industry here in Massachusetts, at least for over 30 years. So, and when I first started in the industry, we were still building new public housing. And for 30 years we really didn't we haven't built any. And I started to blame myself, saying, it must be my fault. But so, it's definitely our mission to expand the opportunities for our community.

Julia Jones: Great. Other audience questions?

Peter Proulx: And, Julia, while you're waiting just a little bit of an anecdote about lessons learned. Again, being in the industry for a long time, I was very surprised with the input and reaction of our residents. You know, when we explain to them that we would be relocating them not just once, but possibly twice as they come back to a brand-new unit. And basically changing their day-to-day lifestyle for, for this multi-phase, multi-year program. And they are all just incredibly excited. I can't even count how many resident meetings we've had to talk about this each step of the way. Yeah, and every time we get to the end, and I say, are there any questions? And other than the number of washer and dryers everything is incredibly positive and everybody

is looking forward to the project coming to their phase, but then also to the ability to be able to move back to one of the brand new units. Yeah.

John Moore: This is John Moore from the Housing Authority of the County of San Bernardino. Just one question. I'm wondering statistically if anyone could share what percentage of Faircloth projects are new construction versus major rehabs? We have two projects in looking at doing more. And I'm just wondering how much the process has been worked out for the rehab project - rehab world.

Stacy Harrison: Sure. Just sort of off the top of my head, we have like 20 projects under construction or that have closed. And when I say construction, I mean rehab or new construction. So of those 20, like three or four are rehab. But a lot of times -- if they're rehab of existing buildings or in many of those cases, it's like existing units that are being torn down and rebuilt. So even though there's like existing tenants, it's still new construction. So, the vast majority is new construction. We've started to see more development proposals come in with rehab of existing units. But a lot of interest. So, the, like, progression to the submission of the mixed finance development proposal is starting to pick up pace. But we've had a lot more interest than what we've actually seen come in the door.

John Moore: And I'll drop you my email, Stacey. I'd like to talk to you directly. We have one project that's a bit of a special case. We've been talking to Tanya Dempsey and the CSG team, which you work with.

Stacy Harrison: Yeah, yeah.

John Moore: You're probably aware of this scenario. I want to run past you, but --.

Stacy Harrison: Which PHA are you with?

John Moore: Housing Authority, the county of San Bernardino.

Stacy Harrison: Oh, okay. Yeah. Do you have my email address?

John Moore: I do not.

Stacy Harrison: Okay.

Julia Jones: I can drop it in the chat, Stacey.

Stacy Harrison: Perfect. Thank you.

John Moore: We have a special case on our hands. I'd like to get some special help.

Shannon Lestan: Yeah. No problem. So, John, one of the Housing authority of San Buenaventura is embarking on their first fair cloth to rad conversion. And they actually -- it's an act at rehab they're doing. They purchased a La Quinta hotel motel, and they're repurposing it for special needs folks and folks that need services. And I just saw -- and they're using their



Faircloth units on it, and I thought that was a really cool idea. So just thinking outside of the box for folks.

John Moore: Yeah, we'll likely be doing more rehab projects. Next after these first two that we're doing are completed.

Julia Jones: Great. I sent that contact to you, John, so you should have that along those -- same along those same lines -- how should PHAs think about fair cost to add within like a larger portfolio repositioning strategy? What advice would you have for these PHAs?

Peter Proulx: Well, I think that knowing your properties and knowing the community and working with the city officials -- in our case, we decided that we wanted to do multiple projects and that we wanted to we were very interested in doing things different ways than what we were normally used to doing it so that we can almost figure out what the best way to do it is for our community.

Shannon Lestan: Yeah. And along those lines, too, Julia one of the more recent policy changes I know there may be some smaller PHAs on the call today. So, if you have been in the process of doing a portfolio conversion of your public housing properties, and you have or have thought about the point where you get down to one of the options that might require public housing closeout, which right now that would be a small PHA for RAD section 18 blend or 50 units or less, Section 18 disposition. You know, you need to fill out a form that says you're closing out of the public housing program. That what was originally part of the whole process was that was something with your pick application -- your pick removal application, you would upload this form saying you have to close out of public housing.

So there's been a policy change where you don't have to now actually close out of public housing when you're doing one of those two options. You can still use that Faircloth authority that you will receive under the section 18 RAD Blend or any other Faircloth authority that you might have. And you instead of filling out on that form that you're going to close out of the public housing program, you would indicate an interest to develop new public housing under the mixed finance program. It does have to be a RAD -- a Faircloth to RAD conversion, though. It can't just be straight Faircloth development under mixed finance. So that's a really -- I think, something in the toolbox that adds a little bit more opportunity for housing authorities, especially, that are getting towards the end of closing out of their public housing portfolio.

Julia Jones: Great. Any questions about that or any of the other topics we've talked about so far? I am, before I forget, going to drop just some links in the chat so that everyone has them. The links go to a Public Housing Repositioning Webinar Series that's been done on Faircloth to RAD. The Faircloth to RAD guide, RAD resource desk a way to look up your fair cloth limit unit counts, and then RAD notices statutes and tools. So, feel free to save those somewhere so that you can review them at a later date. I'll also go ahead and launch a quick poll to see what folks are interested in hearing more about.

So, we've talked about some of these things already, like how to augment RAD rents tenant engagement. But anything you want to hear more about -- or something that we haven't really

touched on too much that you'd like to hear from folks. And of course, you're always welcome to raise your hand, come off mute, or send me anything in the chat. It looks like so far, most folks are answering that they'd like to hear some common pitfalls of Faircloth to RAD. What are some common pitfalls?

Michael Lozano: Well, I don't know if I'd call it a pitfall, but like, one of the things I mentioned is sort of lessons learned is, like, with that early planning is that that design review with HUD is like super important to do early. We had obviously we have a very complicated capital stack. There's tons of financial partners. Everybody sort of has their own sort of design guidelines that are required. And typically we kind of default to the states that are providing like this huge amount of funding and they have this huge application. We kind of gauge all the plans to their design guidelines. And with Faircloth to RAD, we're like, oh, it's like a RAD conversion.

But in reality we're building new public housing units through mixed finance. So, it's really important to like focus in on the mixed finance requirements and make sure to review with HUD early, because once we got to that stage and we're like, oh, here's our plans, they're 99 percent done. And they're like, well, wait, you didn't take into account all these things. And so we're, like, okay. Well, we'll make sure -- and we got to make we got to make HUD happy. They're like a major participant here. But we didn't kind of didn't realize and include them early enough in that process.

And I think it ultimately has made the project much better. But it really took some effort. And something that we know going forward, like, we can't do that again. We got to make sure that HUD is included. Like from the very beginning, a lot of the as I'm sure many people have, have experienced, a lot of the funding agencies kind of have conflicts in what their design guidelines call for. So, you got to you got to tackle that early on. And ultimately everyone wants the same thing to get new units built. And everyone will -- we'll all make that happen. But until you have that conversation. You can't. So that's one thing that's always kind of stuck out for me.

Stacy Harrison: Yeah. Thanks for pointing that out, Michael. Well, our reviewers in the mixed finance office will review drafts, so you don't have to wait till they're final. They'll pull in an architect to do an initial review. So, we've been trying to encourage PHAs to put that on their list of items to do sooner than later, along with the -- getting the environmental review and site Neighborhood Standard review initiated with the field office.

Michael Lozano: That's right. Yeah. I guess one of the other things to think about when going through this is to sort of map out all of the PHA-required -- sort of board actions and like the process as you go through this to make sure that they have enough time to review everything that they need to review, both at the staff level, but then they have to get their board up to speed. And that takes time. And like, you can't just say, I can't just call up Peter and be like, Peter, tomorrow I need you to you guys to sign this. Like many, many things require board actions and you got to, like, look like six months in advance and be like, all right, these are the things that require staff level approval. Here's board level approval and kind of map that whole thing out.

It's a real process and it can be something to trip you up. But if you plan it early, it's not a problem.

Peter Proulx: And again, we have a very dedicated board. So, I'm just going to shout out to them that they've been very involved on each piece of the process and very interested in seeing each step get completed. So, we're very fortunate to have a good board.

Michael Lozano: But don't be afraid to tell your development partners like you got to give us some serious notice and tell us when you need stuff because yeah. It's important.

Shannon Lestan: The other thing I'd like to mention, just overall even if it's not RAD to Faircloth -- or Faircloth to RAD, sorry -- is making sure that your existing policies, like your a cop and your section eight admin plan are up to date and include all of the actions that you're pursuing. And even as it relates to relocation making sure that there's provisions in there if you are going to change preferences for relocation purposes, both under your a cop and your admin plan, that those are both taken care of well in advance, because we know that that process takes a few months to get it done. Or if you're accruing vacant units for relocation purposes, to make sure that that's all teed up with the local field office and your admin plan as, as well. So, I think that's something that sometimes gets overlooked.

Peter Proulx: Yeah. And for me, it just keeps coming back to team -- have that team put together as early as possible. The big eye opener for me was the magnitude of the closing calls as we were getting close to closing. How every single party has just a team of attorneys involved on those calls, and I feel like I could pass the bar right now after participating in all of those closing calls. But each part of the team has been very crucial to us getting to where we are now.

Michael Lozano: Yeah, and communication totally key, like, Trinity and the Housing Authority have a standing weekly meeting. We have an agenda that we go through every single week. I talk to Peter like almost every day, but, you know -- yeah, that communication is absolutely key. And I we're lucky at Trinity to have such a good partner in the Worcester Housing Authority and some of the others on here. I see Joe Bamberg from the Boston Housing Authority, also a great relationship. But that's the key is really to make sure that that communication is always flowing.

Julia Jones: Great. And something that came up in our preliminary discussion, Peter, was that repositioning can sometimes take a different mindset or set of skills from your day-to-day work. And so just curious what your advice would be to other PHAs on how you approach the strategic thinking and decision making needed throughout the process?

Peter Proulx: Yeah, that's a great point. Here in Worcester, we're all, you know public housing people. We have a lot of people who are long term survivors in this industry. And so doing this is very far from what we do day-to-day, even though it's related. And everything that we do for redevelopment all comes back to the residents. So the services that we provide for the residents are always utmost on our minds. But I would suggest networking. One of the first things we did was contact the Cambridge Housing Authority and talked with Margaret and her team there about things that -- or processes that they had seen, that how they worked. I think that even communicating directly with your HUD regional office and then the SAC office and the various HUD offices for information early on. Nobody at HUD has ever refused to answer a question for

us. So, reach out as early as possible. No questions are silly. And I've asked as many silly questions as anybody. But they're all important because, as Mike said, they can trip you up when you're five steps down the process.

Julia Jones: Thank you. Peter. We're getting close to time. What other questions or parting thoughts do folks have to share?

Shannon Lestan: I just want to congratulate the Worcester Housing Authority. Most housing authorities with such a large portfolio like dip a toe in first. They don't come out of the gate with a Faircloth to RAD state public housing. Yeah.

Michael Lozano: This was great. This one was crazy.

Peter Proulx: Well, I just want to say our next Faircloth to RAD which I know Patrick is online and he's the one that's doing that one is a 32-unit project. So, we kind of did that. But every unit counts.

Michael Lozano: That'll be a piece of cake. That'll be a piece of cake compared to this one, but -

Julia Jones: Yes, I think it's a tribute to don't let the complexity of any of these things scare you away from doing them. With great partners like HUD and to providers and development partners, you can really achieve anything with some of these programs.

Michael Lozano: So yeah, I mean, we honestly -- yeah, I mean that is a good lesson. I mean, you can really solve any problem. I mean, they are all surmountable. And again everybody's wanting the same thing to produce these units. So, like the state, HUD, city. Like everyone is really willing to do whatever they can to help make these, these possible. You just got to you got to make sure everybody's involved and make sure that they know what's going on so that they can help.

Shannon Lestan: Fun stuff. Fun stuff.

Julia Jones: Well, I'll go ahead and start closing up unless anybody has any other questions or thoughts they'd like to share. Speak now or forever hold your peace. All right. Well, thank you all for your participation. And to Shannon, Peter, and Michael for bringing your experience to share with us, as well as the other PHAs who shared their experience and their questions. Whether you know it or not, you're helping one another learn. And so that's great. A few reminders. We'll have one more of these Faircloth to RAD sessions later this year. And so, we hope you all can join us for the last session in the series.

The session today was again recorded, so you'll be able to access the recording in the presentation that was given via HUD exchange or RAD Resource Desk. I will send out that link once it's posted and there will be a survey immediately following this webinar, we ask that you please complete this with any feedback you might have for us. Again, we have one more of these sessions, and we'd like to know if there's anything that we can do to improve these sessions for you all. Thank you again and enjoy the rest of the day. We hope to see you next time.

Shannon Lestan: Thanks, Julia.

Peter Proulx: Thank you.

Julia Jones: Thank you everyone.

Michael Lozano: Thank you.

(END)