



Massachusetts Housing Finance Agency
One Beacon Street, Boston, MA 02108

Tel: 617.854.1000 | Fax: 617.854.1091
Vp: 866.758.1435 | www.masshousing.com

August 11, 2015

MKM Reading, LLC
165 Chestnut Hill Avenue, # 2
Brighton, MA 02135
Attention: Ken Chase, Manager

**Re: Reading Village
Project Eligibility/Site Approval
MassHousing # 771**

Dear Mr. Chase:

This letter is in response to your application as “Applicant” for a determination of Project Eligibility (Site Approval) pursuant to Massachusetts General Laws Chapter 40B (“Chapter 40B”), 760 CMR 56.00 (the “Regulations”) and the Comprehensive Permit Guidelines issued by the Department of Housing and Community Development (“DHCD”) (the “Guidelines” and, collectively with Chapter 40B and the Regulations, the “Comprehensive Permit Rules”), under the New England Fund (“NEF”) Program (“the Program”) of the Federal Home Loan Bank of Boston (“FHLBB”).

MKM Reading, LLC has submitted an application with MassHousing pursuant to Chapter 40B. You have proposed to build 77 units of rental housing (the “Project”) on approximately .83 acres (36,064 square feet) of land located at 39-41 Lincoln Street and 2-12 Prescott Street (the “Site”) in Reading, MA (the “Municipality”).

In accordance with the Comprehensive Permit Rules, this letter is intended to be a written determination of Project Eligibility (“Site Approval”) by MassHousing acting as Subsidizing Agency under the Guidelines, including Part V thereof, “Housing Programs In Which Funding Is Provided By Other Than A State Agency.”

MassHousing has performed an on-site inspection of the Site, which local boards and officials were invited to attend, and has reviewed the pertinent information submitted by the Applicant, the Municipality and others in accordance with the Comprehensive Permit Rules.

Municipal Comments

The Municipality was given a thirty (30) day period, in which to review the Site Approval application and submit comments and recommendations to MassHousing. The Town Manager provided a letter and supplemental e-mail correspondence summarizing comments from Municipal departments, boards and committees, and identifying specific concerns with the proposed Project.

The Municipality stated that the Site was identified as a Priority Development Area (PDA) as part of a regional planning effort and asserts that the proposed location is an ideal one for dense housing. While the Municipality summarizes concerns about specific elements of the proposed design, the

correspondence concludes by encouraging the Applicant to work with the Town to revise the site plan in such a way that would address these concerns.

Municipal comments specifically identified the following areas of concern:

- The Municipality states that the building, with a proposed height of 63-feet, would be the tallest in Reading and, thus, out of character with adjacent uses and structures. Further, the Municipality believes the proposed height of the building exceeds fire code and may pose a risk to public safety.
- The Municipality believes an exterior fire would be challenging to battle from the front of the proposed building and the inability of a fire truck to access the structure from the rear coupled with the proximity to adjacent homes causes concern about an exterior fire spreading. Further, the proposed height of the ground level parking garage is not tall enough for a fire truck to access.
- The Municipality is concerned that the density proposed is significantly higher than the surrounding uses and greater than an existing 40R development recently constructed in the downtown area.
- The Municipality expressed particular concern about the lack of parking available for visitors. According to the Municipality, on-street parking is limited to residents only and does not allow for overnight parking. Also of concern is the high parking volume for the train station, further diminishing the availability for on-street parking.

Community Comments

Correspondence from the Municipality included additional comments generated by neighbors at meetings held by the Applicant and the Board of Selectmen. These comments largely reiterate the concerns expressed in the Municipal comment letter, focusing, in particular, on the following:

- The height of the building may result in shadows being cast onto properties in the neighborhood that will diminish natural sunlight and create ice and snow buildup on heavily used sidewalk areas;
- Residents are concerned with the limited provision of resident parking (1.03/unit) and lack of visitor parking;
- Concern was expressed regarding potential traffic impacts due to the proposed current parking lot layout, particularly on Prescott Street where there is an entrance and exit to the planned parking area;
- There is concern regarding exhaust fumes from vehicles that will be generated by both residents and their guests;
- Abutters have expressed concerns regarding lighting impacts from a development of this size;

- Several comments addressed a perceived lack of any buffer or landscaping between this dense development and the mostly single and two family residential neighborhood;

Comments Outside of the Findings

While Comprehensive Permit Rules require MassHousing, acting as Subsidizing Agency under the Guidelines, to “accept written comments from Local Boards and other interested parties” and to “consider any such comments prior to issuing a determination of Project Eligibility,” they do limit MassHousing to specific findings outlined in 760 CMR 56.04(1) and (4). While many of the public comments submitted to MassHousing are important considerations for your development going forward, these issues are not within scope of the Agency’s review under existing regulations. These concerns outside of MassHousing’s review process are:

- The potential for impacts on schools from future residents.

MassHousing Determination

MassHousing staff has determined that the Project appears generally eligible under the requirements of the Program, subject to final review of eligibility and to Final Approval. As a result of our review, we have made the findings as required pursuant to 760 CMR 56.04(1) and (4). Each such finding, with supporting reasoning, is set forth in further detail on Attachment 1 hereto.

Based on MassHousing’s site and design review, and in light of feedback received from the Municipality and abutters, the following issues should be addressed in your application to the Zoning Board of Appeals, and you should be prepared to explore them more fully in the public hearing process:

- Development of this Site will require compliance with all state and federal environmental laws, regulations and standards applicable to existing conditions and to the proposed use related to building construction, stormwater management, wastewater collection and treatment, and hazardous waste safety. The Applicant should expect that the Municipality will require evidence of such compliance prior to the issuance of a building permit for the Project.
- The Applicant should be prepared to provide sufficient data to assess potential traffic impacts on area roadways and intersections, particularly during peak travel times, including the safety of proposed site access and egress, and to respond to reasonable requests for mitigation.
- The Applicant should be prepared to discuss the proposed density for this development and the appropriateness of the proposed plan for this site.
- The Applicant should be prepared to address Municipal concerns relative to the proposed parking layout, and to work with the Municipality to explore possible changes to the site plan to resolve parking related concerns.
- The Applicant should be prepared to address Municipal and abutter concerns relative to the size, scale and architectural style of the proposed multi-family building and its relationship to the character of the surrounding neighborhood.

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- The Applicant should provide a detailed planting plan identifying existing vegetation to be preserved. Additionally, consideration should be given to enhancing vegetative screening along the border of the Site and adjacent structures.
- The Applicant should be prepared to discuss provisions for mail delivery and snow removal.

This Site Approval is expressly limited to the development of no more than 77 rental units under the terms of the Program, of which not less than 20 of such units shall be restricted as affordable for low or moderate income persons or families as required under the terms of the Guidelines. It is not a commitment or guarantee of NEF financing and does not constitute a site plan or building design approval. Should you consider, prior to obtaining a comprehensive permit, the use of any other housing subsidy program, the construction of additional units or a reduction in the size of the Site, you may be required to submit a new Site Approval application for review by MassHousing. Should you consider a change in tenure type or a change in building type or height, you may be required to submit a new site approval application for review by MassHousing.

For guidance on the comprehensive permit review process, you are advised to consult the Guidelines. Further, we urge you to review carefully with legal counsel the M.G.L. c.40B Comprehensive Permit Regulations at 760 CMR 56.00.

This approval will be effective for a period of two years from the date of this letter. Should the Applicant not apply for a comprehensive permit within this period this letter shall be considered to be expired and no longer in effect unless MassHousing extends the effective period of this letter in writing. In addition, the Applicant is required to notify MassHousing of the following: (1) the Applicant applies to the local ZBA for a Comprehensive Permit, (2) the ZBA issues a decision and (3) any appeals are filed.

Should a comprehensive permit be issued, please note that prior to (i) commencement of construction of the Project or (ii) issuance of a building permit, the Applicant is required to submit to MassHousing a request for Final Approval of the Project (as it may have been amended) in accordance with the Comprehensive Permit Rules (see especially 760 CMR 56.04(07) and the Guidelines including, without limitation, Part III thereof concerning Affirmative Fair Housing Marketing and Resident Selection). Final Approval will not be issued unless MassHousing is able to make the same findings at the time of issuing Final Approval as required at Site Approval.

Please note that MassHousing may not issue Final Approval if the Comprehensive Permit contains any conditions that are inconsistent with the regulatory requirements of the New England Fund Program of the FHLBB, for which MassHousing serves as Subsidizing Agency, as reflected in the applicable regulatory documents. In the interest of providing for an efficient review process and in order to avoid the potential lapse of certain appeal rights, the Applicant may wish to submit a "final draft" of the Comprehensive Permit to MassHousing for review. Applicants who avail themselves of this opportunity may avoid significant procedural delays that can result from the need to seek modification of the Comprehensive Permit after its initial issuance.

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If you have any questions concerning this letter, please contact Jessica Malcolm at (617) 854-1201.

Sincerely,



Thomas R. Gleason
Executive Director

cc: Ms. Chrystal Kornegay, Undersecretary, DHCD
Robert W. LeLacheur, Town Manager, Town of Reading
Robert Redfren, Chairman, Zoning Board of Appeals
Daniel Ensminger, Chair, Board of Selectmen

Attachment 1

760 CMR 56.04 Project Eligibility: Other Responsibilities of Subsidizing Agency
Section (4) Findings and Determinations

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MassHousing hereby makes the following findings, based upon its review of the application, and taking into account information received during the site visit and from written comments:

(a) that the proposed Project appears generally eligible under the requirements of the housing subsidy program, subject to final approval under 760 CMR 56.04(7);

The Project is eligible under the NEF housing subsidy program and at least 25% of the units will be available to households earning at or below 80% of the Area Median Income, adjusted for household size, as published by the U.S. Department of Housing and Urban Development (“HUD”). The most recent HUD income limits indicate that 80% of the current median income for a four-person household in Reading is \$69,700.

Proposed gross rent levels of \$1,003 for a one-bedroom affordable unit, \$1,094 for a two-bedroom affordable unit, and \$1,294 for a three-bedroom affordable unit accurately reflect current affordable rent levels for the Boston-Cambridge-Quincy HMFA under the NEF Program, less utility allowances of \$147 for the one-bedroom units, \$195 for the two-bedroom units and \$273 for the three-bedroom units. The utility allowances are based on the Town of Reading’s current utility allowance chart.

A letter of interest was provided by Walpole Co-operative Bank, a member bank of the Federal Home Loan Bank of Boston.

(b) that the site of the proposed Project is generally appropriate for residential development, taking into consideration information provided by the Municipality or other parties regarding municipal actions previously taken to meet affordable housing needs, such as inclusionary zoning, multifamily districts adopted under c.40A, and overlay districts adopted under c.40R, (such finding, with supporting reasoning, to be set forth in reasonable detail);

Based on a site inspection by MassHousing staff, internal discussions, and a thorough review of the application, MassHousing finds that the Site is suitable for residential use and development and that such use would be compatible with surrounding uses, and would directly address local need for affordable housing.

The Site is zoned for single family residences with a minimum lot size of 15,000 square feet. The proposed project is located within downtown Reading at the corner of Lincoln and Prescott Streets. The site is currently used as a moving and storage building. The adjacent parcel houses a now vacant building. Immediately abutting the property is a mix of residential, multi-family and single family dwellings and an automotive repair center. The Site is directly across from the Reading Commuter Rail Station. The train station building has several small businesses. Uses along Prescott and Lincoln Streets are primarily residential with several small commercial buildings. Uses on the other side of the Commuter Rail Station along High Street include restaurants, a bakery, hair salons, auto

service stations and a drug store. The subject is less than a ¼ mile from Route 28, less than ½ mile to Route 129, and less than one mile from the downtown business district.

The Town of Reading has a DHCD Certified Housing Production Plan which expires May 15, 2018. Further, the Municipal comment letter identifies numerous recent efforts to increase the creation and preservation of affordable housing. According to DHCD's Chapter 40B Subsidized Housing Inventory (SHI), updated through December, 2014, Reading has 1,137 SHI units (7.7 % of its housing inventory), which is 261 units short of the required 10%.

The need for additional affordable housing is further supported by U.S. Census data from the 2009-2012 American Community Survey (ACS) indicates that of the 581,120 households in Middlesex County, approximately 18.4% earn less than 30% AMI, approximately 30.7% earn less than 50% of the AMI, and nearly 36.6% earn less than 60% AMI. Household income Census data was not available for Reading; therefore statistics for Middlesex County were used.

(c) that the conceptual project design is generally appropriate for the site on which it is located, taking into consideration factors that may include proposed use, conceptual site plan and building massing, topography, environmental resources, and integration into existing development patterns (such finding, with supporting reasoning, to be set forth in reasonable detail);

Relationship to Adjacent Building Typology (including building massing, site arrangement, and architectural details):

The building footprint occupies the majority of the irregularly shaped site. The proposed building elevations show a generous overhang wrapping the building along the street frontage, helping to reduce perceived height and mass of the building resulting in a more approachable pedestrian scale. The proposed exterior features exhibit sloping, gabled rooflines, incorporating the top floor of both buildings into the slope of the roof, in order to further reduce the effect of height on neighboring structures. The proposed building has an articulated façade, including varied types of exterior cladding, such as lap siding and vertical batten board that enhance the façade in blocks of color, in a manner similar to nearby residential homes and continuing the architectural fabric of the neighborhood.

Relationship to adjacent streets/Integration into existing development patterns

The Site is situated at the edge of an established residential neighborhood of primarily one and two family homes. The Site fronts both Lincoln Street and Prescott Street. The commuter rail tracks are across Lincoln Street, with the downtown business district just beyond. Several 3-story multifamily residential properties are located across Prescott Street.

The proposed development activates an important parcel in the downtown and contributes to the ongoing revitalization of the area through the redevelopment of 2 underutilized parcels.

Density

The Developer intends to construct a building consisting of 77 apartments on approximately .83 acres (36,064 square feet). The Project has an overall density of 93 units per acre. While this represents a higher level of density than that found in the surrounding residential neighborhoods, it is considered a reasonable level of density for multi-family housing developments especially in the context of an established town-center immediately adjacent to public transit.

Conceptual Site Plan

The building footprint occupies most of the Site. An existing vegetative border exists along the rear property line which helps to provide screening and separation between the proposed units and the homes that front Washington Street. The main pedestrian entry from Prescott Street provides access to a small lobby area and single elevator. Two other doors exit the building at each end.

Sidewalks wrap the Site at Prescott and Lincoln Streets. The main pedestrian access is from the sidewalk along Prescott Street, centrally located and near the corner of Lincoln Street adjacent to the auto shop. Vehicular access into the Site is from Prescott Street. Exits are to Prescott Street with a supplemental exit to Lincoln Street.

Environmental Resources

With the exception of the existing vegetative border mentioned above, environmental resources were not a factor in the Site Plan and pose no impediment to the proposed redevelopment.

Topography

The Site, and much of the surrounding area, is primarily level and poses no unique obstacles to the proposed development. The parking lot behind the Prescott Street building gently slopes towards Prescott Street and across the 39-41 Lincoln property.

(d) that the proposed Project appears financially feasible within the housing market in which it will be situated (based on comparable rentals or sales figures);

The Applicant proposes 77 apartments to be financed under the NEF Program. There will be 58 market-rate units with proposed average rent levels of \$1500 for the 15 studio units, \$1700 for the 29 one-bedroom units, \$2300 for the two-bedroom units, and \$2500 for the three-bedroom units.

MassHousing's Appraisal and Marketing (A&M) Division reports that data for larger market and mixed income complexes in the area revealed a strong market, with increasing rental and occupancy rates over the last three years. Current occupancy rates of comparables reviewed averaged approximately 97.1% and range from 92% to 100%. The North Shore area provides additional support for strong demand with 2.5% vacancy rate for the comparable group, 3/1% vacancy for the North Shore group and 4.5% for the Boston area. A&M recommends that a full market study be conducted prior to Final Approval in order to determine the depth of the market for rental housing in this location at that time.

(e) that an initial pro forma has been reviewed, including a land valuation determination consistent with the Department's Guidelines, and the Project appears financially feasible and consistent with the Department's Guidelines for Cost Examination and Limitations on Profits and Distributions (if applicable) on the basis of estimated development costs;

MassHousing has commissioned an as "As-Is" appraisal which indicates a land valuation of

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\$1,800,000. A preliminary review of the Project pro-forma indicates that the per-unit construction costs (approximately \$140,735/unit) are within the normal range for similar multi-family developments in the area.

(f) that the Applicant is a public agency, a non-profit organization, or a Limited Dividend Organization, and it meets the general eligibility standards of the housing program; and
The Applicant must be organized as a Limited Dividend Organization prior to applying for Final Approval. MassHousing sees no reason this requirement could not be met given information reviewed to date. The Applicant meets the general eligibility standards of the NEF housing subsidy program.

(g) that the Applicant controls the site, based on evidence that the Applicant or a related entity owns the site, or holds an option or contract to acquire such interest in the site, or has such other interest in the site as is deemed by the Subsidizing Agency to be sufficient to control the site.
The Applicant controls the entire Site through a Purchase and Sale Agreement dated August 6, 2014 with an expiration date of July 30, 2016.