



**Massachusetts
Housing
Partnership**

December 23, 2015

Mr. David O. Gillespie
Avalon Sudbury, Inc.
c/o AvalonBay Communities, Inc.
51 Sleeper Street, Suite 750
Boston, MA 02210

Re: Avalon Sudbury, Sudbury (the "Project")

Dear Mr. Gillespie:

Enclosed please find the executed Project Eligibility Letter (PEL) for the Avalon Sudbury Project. There are two topics on which I'd like to provide you further guidance: 1) MHP's review of the draft Comprehensive Permit, and 2) the applicant's responsibilities if a municipality includes a local preference requirement in the Comprehensive Permit. Please see below for elaborations on each of these topics, and let me know of any questions you may have.

1. Prior to the issuance of the final Comprehensive Permit by the ZBA, MHP asks that a draft of the permit be supplied to MHP for its review. MHP will endeavor to make any comments on the draft permit within 10 days. MHP's intention in asking for review of the permit prior to its issuance is to avoid having the applicant need to return to the ZBA to request necessary changes once the final permit is issued.

2. If the municipality includes a local preference requirement within the Comprehensive Permit, the DHCD 40B Guidelines require that the municipality demonstrate the need for the local preference within 3 months of final issuance of the Comprehensive Permit. Failure to comply with this requirement shall be deemed to demonstrate that there is not a need for a local preference and a local preference shall not be approved as part of any Affirmative Fair Housing Marketing and Resident Selection Plan (AFHMP) or use restriction. Please work with the municipality on providing MHP with the necessary documentation.

Please see DHCD's 40B Guidelines at <http://www.mass.gov/hed/economic/eohed/dhcd/legal/comprehensive-permit-guidelines.html> (Section III, Affirmative Fair Housing Marketing and Resident Selection Plan)

Note that DHCD's 40B Guidelines specify the allowable preference categories. If the Comprehensive Permit includes a preference for some, but not all, of the allowable categories, additional information may be required. For example, if the municipality seeks to provide a preference for municipal employees but not employees of other businesses in the community, the municipality must provide documentation that shows the affordable housing demand for municipal employees is high in relationship to that of other employees. If the local preference is based solely on employment in the municipality, this may have a disparate impact on the elderly or person with disabilities; therefore applicants residing in the

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Boston, Massachusetts 02110
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462 Main Street
Amherst, Massachusetts 01002
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www.mhp.net

community who are age 62 or older or are persons with disabilities must be given the benefit of the employment preference.

Some ways in which the need for local preference may be demonstrated and documented are by providing the following:

- Wait list information for comparable housing in the community, including public housing, with local applicants likely to apply for the project. For instance, if the affordable units at the project are 2-bedroom rental units affordable at the 80% of area median income (AMI) level, the number of local wait list applicants for rental units of a similar size and price at another development in the community may support a local preference (however, applicants for larger or smaller size units with higher or lower incomes would not; similarly, wait lists for for-sale housing or age-restricted housing may not be “comparable” housing). Whether or not the project provides rental assistance will be considered. A wait of more than 6 months for a comparable unit would be compelling.
- Data regarding the number of renter households in the municipality who would be eligible for the project. For instance, if the affordable units at the project are affordable at the 80% AMI level, renter households with incomes between 50 – 80% AMI might be eligible but renter households with higher or lower incomes would not.
- Data regarding rent-burdened residents, specifically the number of renter households in the community who would be eligible for the project who are paying more than 30% of their income for housing costs. Also, if applicable, data regarding renter households with other housing problems (i.e. overcrowding).
- Information regarding the supply of comparable affordable rental housing in the municipality and the vacancy rates in such housing.

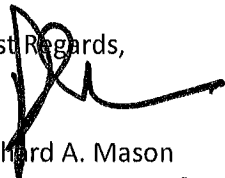
Some of the above statistics can be found at the following Metropolitan Area Planning Council (MAPC) website: www.housing.ma . Data is also available at the Metropolitan Area Planning Council Massachusetts Housing Data Portal: www.housing.ma.

Please note that a combination of such data, comparative regional data, and/or other data may be needed to justify the extent of the local preference in view of regional housing needs.

Also, please note that in the event local preferences are permitted, your AFHMP must ensure that non-local residents protected under fair housing laws are not negatively affected by the local preferences. For example, as part of your lottery process, minority applicants may need to be moved into the local selection pool to ensure that that the local selection pool reflects the racial/ethnic balance of the HUD defined Metropolitan Statistical Area (MSA). Regional (MSA) racial/minority statistics are available at <http://www.mass.gov/hed/docs/dhcd/hd/fair/percentracialethnicminority.pdf>.

If you have any questions about anything in the letter, please call David P. Rockwell, Director of Lending at 617-330-9944 x222.

Best Regards,

A handwritten signature in black ink, appearing to be 'R. Mason', written over the text 'Best Regards,'.

Richard A. Mason
Deputy Director of Lending



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Avalon Sudbury, Inc.
c/o AvalonBay Communities, Inc.
51 Sleeper Street, Suite 750
Boston, MA 02210

160 Federal Street
Boston, Massachusetts 02110
Tel: 617-330-9955
Fax: 617-330-1919

Re: Avalon Sudbury, Sudbury, MA (the "Project") - Determination of Project Eligibility under MHP's Permanent Rental Financing Program

Dear Mr. Gillespie:

462 Main Street
Amherst, Massachusetts 01002
Tel: 413-253-7379
Fax: 413-253-3002

This letter is in response to your request for a determination of Project Eligibility under the provisions of the Commonwealth of Massachusetts comprehensive permit process (M.G.L. Chapter 40B Sections 20-23, 760 C.M.R. 56, and the Massachusetts Department of Housing and Community Development's (DHCD) Comprehensive Permit Guidelines) (collectively, the "Comprehensive Permit Rules") for the above-referenced Project. The Project, as proposed in your application dated November 5, 2015, shall consist of two hundred and fifty (250) rental housing units, consisting of one hundred and twenty-seven (127) one-bedroom units, ninety-seven (97) two-bedroom units and twenty-six (26) three-bedroom units located in thirty-one (31) two and three-story buildings on 17.6 acres at 526 & 528 Boston Post Road, Sudbury, Massachusetts. Parking for 450 cars will be provided in both garage and surface spaces. The Project will also include landscaped courtyards, a clubhouse with various indoor tenant amenities.

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In connection with your request, and in accordance with the Comprehensive Permit Rules, MHP has performed an on-site inspection of the Project, and has reviewed initial pro forma and other pertinent information submitted by Avalon Sudbury, Inc. ("Applicant"), and has considered comments received from the Town of Sudbury.

Issues raised by the Town relative to traffic, drinking water, groundwater and surface water resources, wastewater treatment and drainage are appropriately addressed through the comprehensive permit process. While the Town expressed a desire for units affordable at the 50% of area median income (AMI) level, a concern about the eligibility of rental assistance voucher holders to rent the 80% AMI units, and the availability of units for developmentally disabled individuals, with anticipated increases in Section 8 payment standards, it is expected that the 80% AMI units will be available to lower-income voucher holders. The affirmative fair housing marketing and resident selection plan that will be required for the Project will ensure that the units will be made widely available to all populations. Local preference will be permitted in accordance with the Comprehensive Permit Rules to the extent that satisfactory evidence of the need for local preference is demonstrated by the Town. The Town raised a concern about some of the units containing dens, however, lease terms should not permit occupancy of dens as bedrooms. The bedroom mix has been adjusted slightly so that there are now seven (7) affordable 3-bedroom units. Issues such as mitigation of school, public safety, and resident service costs are outside the scope of Chapter 40B.

Based upon our review, we find the following:

- (i) The Project, as proposed, appears generally eligible under the requirements of MHP's Permanent Rental Financing Program (the "Program"), certain terms of which are set forth on Exhibit A, attached hereto, subject to final approval.
- (ii) The site of the proposed Project is generally appropriate for multifamily residential development. The location on Route 20 provides access to shopping immediately across the street and the Sudbury downtown commercial and municipal services area is within 1.5 miles. Sudbury is accessible to I-495 and I-95/Route 128 employment areas as well as commuter rail service to Boston and Worcester.

The Town of Sudbury's Subsidized Housing Inventory (SHI) is 6.03%. Sudbury's 2001 Master Plan and 2011 Housing Production Plan included the subject site as appropriate for mixed-use multifamily development.

Sudbury has two bylaws to allow age-restricted housing by Special Permit, neither with affordability requirements. Apartments over retail/office is allowed by Special Permit in the Village Business district however, according to the Master Plan, the lack of wastewater infrastructure precludes that from being usable. The prior municipal actions do not warrant a conclusion that the Project site is not appropriate for residential development.

- (iii) The proposed conceptual Project design is generally appropriate for the site. The site design creates a town green center for the community with clubhouse and open space. The architecture is reflective of the residential architecture in Sudbury. Stone veneers and painted siding, balconies, and inserts provide variations and reduce massing.
- (iv) Based upon comparable rentals and potential competition from other projects, the proposed Project appears financially feasible within the Sudbury area market.
- (v) The Project appears financially feasible on the basis of estimated development and operating costs set forth in the initial pro forma provided by the Applicant and a land value determination consistent with the Comprehensive Permit Rules. In addition, the Project budgets are consistent with the Comprehensive Permit Rules relative to cost examination and limitations on profit and distributions.
- (vi) The Project will be owned by the Applicant, a single-purpose entity affiliate of AvalonBay Communities, Inc., and will be subject to MHP's limited dividend requirements. The Applicant meets the general eligibility standards of the Program; and
- (vii) The Applicant controls the site through a Purchase and Sale Agreement.

This letter is intended to be a written preliminary determination of Project Eligibility under the Comprehensive Permit Rules, establishing fundability by a subsidizing agency under a low and moderate income housing subsidy program, which qualifies the Project for consideration for a Comprehensive Permit under M.G.L. Chapter 40B.

This preliminary determination of eligibility is subject to final review of eligibility and final approval by MHP, and is expressly limited to the specific Project proposed in the request for determination

of Project Eligibility submitted to MHP and subject to the minimum affordability and additional requirements set forth in Exhibit A hereto. The requirements of the Comprehensive Permit must not result in a loan to value ratio exceeding MHP requirements. Changes to the proposed Project, including without limitation, alterations in unit mix, proposed rents, development team, unit design, development costs and/or income restrictions may affect eligibility and final approval. Accordingly, you are encouraged to keep MHP informed of the status and progress of your application for a Comprehensive Permit and any changes to the Project that may affect program eligibility and/or financial projections. In addition, MHP requires that it be notified (1) when the applicant applies to the local ZBA for a comprehensive permit; (2) when the ZBA issues a decision; and (3) when any appeals are filed.

Please note that this preliminary determination of Project Eligibility is not a commitment or guarantee of or by MHP for financing, either expressed or implied, and, in the event that you determine not to apply to MHP for permanent financing and/or in the event that your application for permanent financing with MHP is denied, this letter shall be of no further force and effect. Also, please note that this letter shall be of no force or effect if the applicant has not filed for a Comprehensive Permit within two years of the date of this letter.

Final review and approval under the Comprehensive Permit Rules will be undertaken by MHP only in conjunction with an application to MHP for permanent mortgage financing for the Project. After the issuance of a Comprehensive Permit for the Project, MHP would be pleased to entertain a request for permanent mortgage financing pursuant to and in accordance with MHP's standard underwriting process. At that time, MHP shall require a complete loan application, a copy of the decision of the ZBA and any amendments thereto, a copy of the decision, if any, by the Housing Appeals Committee and revised preliminary plans and designs, if applicable, as well as such additional documents and information as is required as part of the loan underwriting process.

Should you have any comments or questions concerning this letter, please contact David P. Rockwell, Director of Lending at 617-330-9944 x222, drockwell@mhp.net.

Sincerely,



Richard A. Mason
Deputy Director of Lending

cc: Roberta Rubin, Chief Counsel, Department of Housing and Community Development
Patricia Brown, Chair, Board of Selectmen, Town of Sudbury
Jonathan F.X. O'Brien, Chair, Zoning Board of Appeals, Town of Sudbury
Jody Kablack, Director of Planning and Community Development, Town of Sudbury

EXHIBIT A

Affordability Requirements: At least sixty-three (63) of the units must be affordable to households earning up to eighty percent (80%) of the median area income. Such units shall include thirty-two (32) one-bedroom apartments, twenty-four (24) two-bedroom apartments and seven (7) three-bedroom apartments. The affordability requirements will be documented through an affordable housing agreement that will be recorded prior to the mortgage and shall create covenants running with the Property for a minimum period of thirty (30) years. Comprehensive permit requirements may extend the affordability requirements beyond the initial 30-year term.

Limited Dividend Policy: The owner must comply with MHP's limited dividend policy.