

## **Preservation of Inman Square Apartments Resident Disclosure, Policy Statement and Agreement**

The primary purpose of this document is to assure that every resident of Inman Square Apartments has sufficient information regarding the plans for the building in which they reside and the affordability status of the building in order to make an informed decision regarding his/her subsidy type going forward. This document also memorializes commitments of the Cambridge Housing Authority (CHA) and Homeowners' Rehab Inc. (HRI). Please note that the subsidies, resident choices, and commitments outlined below are applicable only if HRI, or its designee, is able to buy Inman Square Apartments.

### A. Background

Inman Square Apartments is a 116 unit apartment complex located on the corner of Cambridge and Prospect Streets. While 97 of the apartments are studio and one bedroom apartments, there are 19 family units mostly located in townhouse style apartments on the Prospect Street side of the building. At the time that the property was constructed, the owner utilized financing and rental subsidies that provided for affordable rents until 3/1/2017. All 116 apartments have a "Section 236" mortgage interest subsidy and so there is a Basic (minimum) and Market (maximum) rent for the apartments set by MassHousing. There is also a utility allowance for tenant-paid electricity, which affects the rent that some tenants pay. However, many of the apartments (or tenants) also have additional rental subsidies that make the rents affordable to persons of low income. Attachment A is a summary of the current affordable housing programs at Inman Square and a brief description of how the tenant's portion of the rent is calculated.

Currently, the rents for the property are as follows:

Size	Basic Rent/Month	Market Rent/Month	Mass Housing Utility Allowance
0	\$748	949	38
1	\$871	1105	47
2	\$1026	1302	81
3	\$1304	1655	131
4	\$1389	1762	124

These rents are extremely affordable given that a recent (June 2010) appraisal of the property reports the following market rents:

Size	Market Rent
0	\$1240
1	\$1500
2	\$2100
3	\$2800
4	\$3700

It is a safe bet that you and most likely your neighbors would be unable to reside in this building if the rents even approached these market rent levels. With this in mind, you should know that the current owner is looking to sell the building and retire by the end of the year. While this would not have an immediate impact on the affordability of the property, it could mean that when the affordability restrictions expire, the new owner could sell the units off as condominiums or raise the rents to an unaffordable level. While both of these potential outcomes have protections that would kick in to assist the existing residents, the ultimate result would be that Inman Square Apartments would be lost as a housing resource to lower income households such as you.

At this time, Homeowners Rehab, Inc. has approached the owner to purchase the building. HRI is a private nonprofit organization that was created in 1972 to provide safe, affordable, decent, and sustainable housing. They are Cambridge based and work closely with the City of Cambridge as well as the Cambridge Housing Authority. **Their intention is to purchase the building, spend approximately \$2.9 million dollars to upgrade the building and permanently maintain the affordability of the property.** To do this, HRI will need to pay off the loans that currently restrict the rents in the building and obtain new financing.

Because HRI has obtained special permission to pay off the current financing early, income-eligible residents in the building will be offered a special allocation of vouchers that are known as enhanced vouchers (or sticky vouchers or preservation vouchers). (Under current federal law, these vouchers would not be available to an owner who waits until the mortgage expires in 2017.)

**In order for HRI to move forward and commit to the purchase of Inman Square Apartments, HRI is seeking a binding commitment from almost every income-eligible resident that states he/she agrees to allow the CHA to tie this subsidy to his/her apartment as a project-based voucher, instead of receiving it as a tenant-based enhanced voucher or keeping his/her current tenant-based voucher. Without this level of commitment, HRI will be unable to purchase and preserve the property. And, while each current resident may be protected for the short term, no one can guarantee that the property will remain affordable in the long run, for either current or future tenants. However, converting the enhanced voucher to a project-based voucher can only be done with the consent of the resident.**

In order to move forward with the purchase of the building, it will be necessary for HRI to seek an increase in the Basic Rent and Market Rent. However, very few tenants will actually be affected by these rent increases, since almost all tenants will be eligible for the new federal enhanced vouchers and project based vouchers. These vouchers will only be available if HRI is able to buy the building.

## B. Vouchers

For residents, the two main differences between enhanced vouchers and project-based vouchers are (1) the formula for determining the tenant's portion of the rent and (2) the ability

to move with rental assistance. The CHA has agreed to make some exceptions for current and new Inman Square residents. All this is explained below.

## **1. Enhanced Vouchers**

a. Description: Enhanced vouchers are issued to the tenant for use in his/her current apartment. While similar to a regular Section 8 Voucher, the key feature is that the value of the enhanced voucher is much higher. This is important because once the current financing is paid off at Inman Square Apartments, the owner can charge market rent, which in Cambridge, exceeds the limits on a regular Section 8 Voucher. By using an enhanced voucher, the resident is able to stay in place and receive the benefit of a larger subsidy to help pay the rent.

b. Mobility: Residents with enhanced vouchers may move with their vouchers at any time after giving proper notice under their lease. When the resident moves from the building, the enhanced voucher becomes a regular Section 8 Housing Choice Voucher that the resident may use wherever he/she chooses.

c. Rent for Stayers: With respect to the resident's portion of rent, a resident who receives an enhanced voucher (and remains at Inman Square) will pay 30% of his/her adjusted household income for rent and utilities, but there is a minimum amount which the tenant must pay regardless of any future change in income. In general, the tenant must pay the same total dollar amount for rent as the amount required on the date of mortgage prepayment. This will generally be higher than the CHA's minimum rent for its other voucher programs. (This minimum rent formula is explained in more detail in Attachment B.) Although the enhanced vouchers will be part of Cambridge Housing Authority's Moving to Work program, the CHA will use the federal regulations for the tenant-based Section 8 Housing Choice Voucher program (currently found at 24 CFR 5.601 – 5.634) for rent setting purposes (and the minimum rent provisions described in Attachment B). In addition, for those mixed immigrant families, the CHA will use, as a total tenant payment, 30% of adjusted monthly income plus 10%. The CHA will use its own utility allowance schedule for tenant-paid utilities, rather than Mass Housing's schedule.

d. Rent For those Moving: When a tenant (with an enhanced voucher) moves from Inman Square Apartments, then his/her voucher becomes a "regular" Section 8 housing choice voucher under the CHA's Moving to Work and Rent Simplification rules. Most likely, the maximum amount of the CHA subsidy is less for a regular voucher than when the tenant lived at Inman Square Apartments with an enhanced voucher. A summary of the Rent Simplification rules is attached as Attachment C.

## **2. Project Based Vouchers**

a. Description: These are Section 8 Vouchers that have been assigned to specific apartments rather than to specific families. In order to attach these vouchers to the property, the owner and the CHA must enter into at least a 15 year contract. During this time, the property is guaranteed to be maintained as affordable. As long as a resident remains in that apartment, he/she enjoys the benefits of the voucher.

b. Mobility: The resident living in an apartment with a project-based voucher does not have “immediate” mobility. Since the voucher is attached to the apartment and not the family, any request by the family to move means that the CHA must issue a new voucher to the family while maintaining the project based voucher for another family from the waiting list. There is not an unlimited pot of vouchers, and so the CHA must wait for one to become available before it can issue a tenant-based voucher to the family.

The CHA has agreed to two provisions to help residents with project-based vouchers at Inman Square Apartments. First, the CHA will allow Inman Square residents to move, after one year, with a tenant-based voucher if one is available. If one is not available, the resident’s name will be placed on the CHA’s wait list (chronological by date of request) and be issued a tenant-based voucher when one becomes available (and before any such vouchers are offered to applicants on the CHA’s other waitlists). Second, the CHA will establish a pool of 37 tenant-based Section 8 housing choice vouchers to be used immediately (and on a first come, first served basis) for Inman Square residents who want to move at any time. However, the CHA will decrease this pool of 37 vouchers by: (a) the number of households not income eligible for either enhanced vouchers or project-based vouchers; (b) the number of Inman Square households who are income eligible only for enhanced vouchers, and not for project-based vouchers; and (c) the number of households opting for an enhanced voucher. (See Attachment E). At present, HRI estimates that up to 9 households may be ineligible for enhanced vouchers and/or project-based vouchers, but this number could change once all tenant information is known. Once the voucher is issued, the resident will generally have 4 months to relocate with the tenant-based voucher and, if the resident does not relocate within that search period, the resident will lose that tenant-based voucher.

In addition, in accordance with its usual project-based voucher policies, the CHA will allow Inman Square residents to place their names on the CHA’s project-based voucher transfer list and when project-based apartments elsewhere in Cambridge become vacant, the CHA will forward all names on the wait list to that owner for screening and selection.

c. Rent for Stayers: Those residents staying at Inman Square Apartment with a project-based voucher will pay only 30% of adjusted income for rent and utilities. If the family experiences a change of income, they must report it and their portion of the rent is adjusted up or down but continues to be based on 30% of their income (minus the CHA utility allowance for tenant-paid utilities). Although these project-based vouchers will be part of Cambridge Housing Authority’s Moving to Work program, the CHA will use the federal regulations for the project-based Section 8 Voucher program (currently found at 24 CFR 5.601 – 5.634) and \$25 as the “minimum rent” required (for rent plus utility allowance). In addition, for those mixed immigrant families, the CHA will use, as a total tenant payment, 30% of adjusted monthly income plus 10%. The CHA will use its own utility allowance schedule for tenant-paid utilities, rather than Mass Housing’s schedule.

d. Rent for those Moving: When a resident in a project-based apartment requests and obtains a tenant-based voucher (which may involve a wait, as described above), then the tenant-based voucher is subject to CHA’s Moving to Work and Rent Simplification rules. A summary of the Rent Simplification rules is attached as Attachment C.

### 3. Tenants who are Over-Income for Enhanced and Project-Based Vouchers

For all current Inman Square residents who are not income or otherwise eligible for either an enhanced or project-based voucher, rents will continue to be computed according to the Section 236 rules. Tenants will pay the new Basic Rent or 30% of adjusted income (minus the MassHousing utility allowance), whichever is greater, but never more than the new Market Rent. The new proposed rent schedule (see below) is subject to MassHousing approval, following the usual Section 236 rent increase procedure. MassHousing has also recently approved a new utility allowance schedule, with lower amounts reflecting the recent decline in electric rates, which will go into effect at the same time.

Size	Basic Rent/Month	Market Rent/Month	Mass Housing Utility Allowance
0	\$1240	\$1457	35
1	\$1335	\$1569	43
2	\$1566	\$1840	73
3	\$1875	\$2204	118
4	\$2054	\$2414	112

### 4. Miscellaneous Provisions

HRI will not displace any current resident of Inman Square Apartments except for good cause related to tenant fault.

For current residents of Inman Square Apartments who elect either an enhanced voucher or a project-based voucher, the CHA will screen (and may deny) said residents only for income eligibility, immigration eligibility, student status, and the federally mandated reasons found at 24 CFR 982.552(b) and 982.553.

## C. Rehabilitation

### 1. Repairs

HRI has also pledged to invest a minimum of \$2.9 Million to do capital repairs at the property. The exact scope of work is dependent on funding availability and contractor pricing and will be prioritized as follows:

#### **Priority Scope of Work (listed from highest to lowest priority)**

- Install new windows in all apartments
- Smoke detector and fire alarm upgrades
- New electrical panels

- Exterior masonry repairs
- Handicap unit renovations
- Community room renovation including installation of air conditioning and making both kitchen and bathroom handicapped accessible
- Laundry room renovations
- New water conserving toilets and showerheads in all apartments
- New flooring, wall finishes and lighting in common areas (lobby, all hallways)
- Parking Lot resurfacing
- Clean Bathroom fans and ducts
- New kitchen and bathroom light fixtures in all apartments
- Miscellaneous repairs at the family units

This work will commence shortly after HRI purchases the building and will last about a year. HRI shall hold regular planning meetings with residents for the purposes of obtaining input into, and keeping residents informed of, its plans and timetable for renovations. If HRI needs to enter apartments to do repairs, HRI will provide residents with as much advance written notice as possible, which shall generally be at least one week's advance notice but, for some repairs, may only be 48 hours advance notice. HRI shall use its best efforts to accommodate residents in scheduling work and in minimizing disruption (e.g. water and electricity shut-offs, noise).

## **2. Handicapped Accessible Apartments**

HRI plans convert six (6) apartments in a stack (column) into handicapped accessible units. This will involve relocation of those residents (elsewhere in the building or to other HRI-owned or controlled property) for about 2 to 4 months and then a "gut rehab" of those six apartments. If the resident being relocated does not need the features of the newly accessible unit, then that resident would have the option of returning to his/her "old" unit (so long as there is no household at Inman Square Apartments in need of those features); and if there was a household at Inman Square Apartments in need of a unit with those features, then the two households would "swap" apartments and the displaced resident would also have the option to return to the first vacancy of appropriate size on his/her old floor. HRI plans to select the six units where current tenants need such accessible apartments and will notify all residents when the units are selected. For those residents having to move, HRI will negotiate a written relocation agreement which comports with applicable federal relocation laws and this Agreement. While the six Inman Square Apartments are vacant and under renovation, the CHA shall continue to pay subsidy for these units and residents will continue to pay their share of rent. HRI will cover the rent for the temporary apartment and all relocation expenses for moves from and back to Inman Square Apartments.

## D. Future Tenant Selection

1. CHA maintains a wait list for all its project-based voucher units in Cambridge based on date of application, preferences, and emergency criteria. When a vacancy is anticipated in a project-based voucher unit at Inman Square Apartments, the owner or manager notifies the CHA's Leased Housing Department and the CHA then sends the owner/manager the names of applicants (eligible for that bedroom size) in the order of CHA's wait list. HRI or its manager then screens such applicants in accordance with its Tenant Selection Plan.

2. HRI agrees to rent at least 13.5% of the project-based voucher units at Inman Square Apartments to households whose head of household (or sole member) is a nonelderly person with disabilities. Currently, CHA defines elderly as 58 years of age or older.

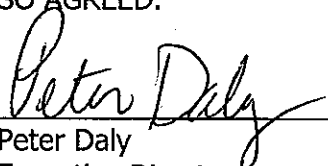
## E. Process and Responsibilities

If HRI or its assignee purchases Inman Square Apartments, then HRI, any assignee, and CHA agree to comply with the provisions stated above. If enough residents of Inman Square Apartments agree to the conversion from enhanced voucher to project-based voucher, on the provisions specified above, then

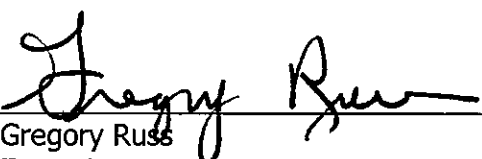
- HRI will move forward with their plans to purchase the building by the end of 2010.
- HRI will pay off the current financing which in turn will trigger HUD to set aside funding for the issuance of enhanced vouchers for all eligible apartments but these enhanced vouchers can only be used by income eligible households in the building. To be eligible for an enhanced voucher, annual family income must be at or below 95% of AMI (or, in certain cases, possibly below 80% AMI). (The income limits are in Attachment D).
- CHA will meet with each family in the property and determine income eligibility for receipt of an enhanced voucher and if the family has opted to convert, for participation in the project-based voucher program. To be eligible to participate in the project-based voucher program, annual family income must be at or below 80% of AMI. (See Attachment D).
- Any family that has opted to participate in the project-based voucher program that is determined to be over income to participate will still be reviewed for receipt of an enhanced voucher.
- Once each family has been income certified, the CHA will apply to HUD for sufficient funding to provide voucher funding on behalf of each income eligible family and for any other eligible apartment.
- HRI and the CHA will enter into an (at least) 15 year Housing Assistance Payments (HAP) Contract for a specified number of apartments in the building. While HRI needs the number of units to be as close to 116 as possible, there are several factors that will impact this number:

- o Number of current residents who are not income eligible for either the enhanced voucher or the project-based voucher.
- o Number of current residents that are only income eligible for participation in the enhanced voucher program and do not qualify for project-based vouchers.
- o Number of current residents that elect to keep the enhanced voucher and not participate in the project-based voucher program.
- o CHA has pledged a reserve pool of 37 vouchers to offset any short fall from the above.
  - The reserve pool will first be used to cover any initial short fall as a pledge over the life of the contract.
  - Any remaining vouchers in the reserve will be available on a first come basis to families that have opted to convert their enhanced voucher as an immediate resource to move from the building during the course of the contract.
  - See Attachment E for an example of how this works
- HRI, as a condition of the HAP contract, will keep the building affordable for the duration of the contract, with a commitment to renew on comparable terms with the goal of keeping the building affordable in perpetuity. The CHA will offer to renew the HAP contract on comparable terms provided that HRI is in compliance with the contract, subject to continuation of its Moving to Work authority (or alternative authority).

SO AGREED.

  
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10-10-10  
 Date

  
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8-10-10  
 Date



Attachment A - Current Subsidies at Inman Square Apartments as of July 2010

Bedroom Size	Section 236 only	Rent Supp (project based)	CHA tenant-based Section 8 voucher	CHA tenant-based AHVP	CHA project-based MRVP	Other
Studio	2	7	9		0	
1	15	27	20		5	
2	1	0	0		0	
3	5	2	6		3	
4	0	0	1		0	
TOTAL (116)	23	36	36	4	8	9

Tenants with Section 236 only (23) and with Rent Supplement (36) recertify with Better Cities now. Tenants with CHA Section 8 Housing Choice Vouchers (36), with Alternative Housing Voucher Program vouchers (4) and with Mass. Rental Voucher Program vouchers (8) recertify at the Cambridge Housing Authority. In the future, tenants with enhanced vouchers and project-based vouchers will recertify with the CHA and also with HRI's management company.

Current Rent Formulas for Residents at Inman Square Apartments

1. Section 236 only: Tenants pay 30% of adjusted income (minus the MassHousing utility allowance) or the basic rent, whichever is greater. However, the rent can never be more than the market rent.
2. Rent Supplement: Tenants pay 30% of adjusted income (minus the MassHousing utility allowance), or the minimum rent, whichever is greater. The minimum rent is  $30\% \times (\text{basic rent} + \text{utility allowance}) - \text{utility allowance}$ .
3. CHA tenant-based Section 8 housing choice vouchers: Tenants' rents are calculated under CHA's "Rent Simplification" rules. For those at Inman Square Apartments, tenants generally pay 30% of adjusted income for rent and utilities (applying the CHA utility allowance). However, if the tenant has an increase in income during the year, tenants are not required to report the increase. If there is a decrease in income during the year, tenants who are not disabled and not elderly are only entitled to one rent decrease during the year. (Disabled and elderly tenants are entitled to unlimited decreases during the year.) There is a minimum amount (\$50) for rent and utilities but if a tenant has no income, their rent will be zero for 3 months and they will receive a utility reimbursement for 3 months; after those 3 months, the rent remains zero but they lose the utility reimbursement. Rent Simplification and the above federal programs use slightly different rules for counting income and deductions.
4. CHA project-based MRVP: Tenants at Inman Square Apartments pay 40% of "net" income for rent. There is no utility allowance. Income is defined by state regulations and is slightly different from the federal programs listed above.
5. AHVP: Tenants at Inman Square Apartments pay 25% of "net" income for rent. There is no utility allowance. Income is defined by state regulations and is slightly different from the federal programs listed above.

Attachment B – Minimum Rent for Enhanced Vouchers (who stay at Inman Square Apartments)

Residents with enhanced vouchers (who stay at Inman Square Apartments) will pay rent of 30% of their adjusted household income minus the CHA utility allowance for tenant-paid utilities (electricity including electric stove).

Size	CHA's Current Utility Allowance applicable to Inman Square Apartments
0	\$51
1	\$52
2	\$62
3	\$73
4	\$86

However, there is a minimum rent which such residents must pay regardless of income.

**Initial Minimum Rent:** This minimum rent is the dollar amount that the resident was paying towards rent on the day of the mortgage prepayment. (\*)

**Change in Minimum Rent:** However, if a resident's gross household income decreases by at least 15% from the income he/she had on the date of the mortgage prepayment, then a new minimum rent is set which is based on a percentage of income (instead of a dollar amount) and this percentage remains in effect for as long as the resident remains at Inman Square Apartments with the enhanced voucher. This new minimum percentage is the higher of:

- 1) the percentage of monthly adjusted income that the resident paid for "gross rent" (\*) on the mortgage prepayment date; or
- 2) 30%

This percentage is applied to the resident's (reduced) adjusted monthly income and the CHA's current utility allowance is then subtracted to determine the resident's new rent.

(\*) Under HUD rules, the resident's "gross rent" (also known as the "total tenant payment") is actually the amount of tenant rent paid to the owner (on the date of the mortgage prepayment) PLUS the CHA utility allowance (in effect on the date of the mortgage prepayment). From this amount, the CHA's current utility allowance is subtracted to determine the dollar amount of the initial minimum rent. Since the CHA utility allowance is not expected to change between now and December 31, 2010, the utility allowance is a "wash" and initial minimum rent is the same as the tenant rent.

Una versión en Español de este documento está disponible en su Oficina de Gestión, en la Oficina Central del CHA o en la página web de CHA: [www.cambridge-housing.org](http://www.cambridge-housing.org)  
Yon vèsyon Kreyòl Ayisyen pou dokiman enpòtan sa-a disponib nan Biwo Administrasyon-a, nan Biwo Santral CHA, epí nan sit intènèt CHA: [www.cambridge-housing.org](http://www.cambridge-housing.org).  
A versão em Português deste documento está a sua disposição no seu Escritório de Gerencia, no Local Central de Gerencia do CHA, e no Website do CHA: [www.cambridge-housing.org](http://www.cambridge-housing.org)

## RENT SIMPLIFICATION POLICY OVERVIEW – MTW HCV

*(Rent Simp. rules only apply to MTW vouchers. See Administrative Plan for detailed policy)*

### Determining Income:

**Assets:** CHA excludes income from assets worth less than \$50,000.

**Income:** Prospective and past income can be used to calculate income for the purpose of rent determination.

### Determining Rent:

**Minimum Rent:** The minimum rent any household can pay, before adjustment for utilities, is \$50.00 per month. Households paying minimum rent are referred to social services providers for benefit/benefit counseling.

**Zero Income Households:** Rents based on zero income are increased to \$50.00 after 90 days. Households claiming zero income are required to provide documentation to support their claim including, but not limited to a family budget form.

After 90 days Utility Assistance Payments (UAPs) are not paid to families claiming zero income.

### Recertification:

**Recertifications:** Household incomes and rents are recertified annually.

**Interim Recertifications:** Households who experience significant drops in income or increased eligible childcare and/or medical expenses can have an interim recertification to temporarily reduce their rent.

Households paying interim rents must report any change in the circumstances that required the rent decrease within 30 days and have their rent readjusted.

Family households are limited to 1 interim rent adjustment between regularly scheduled annual recertifications.

There is no limit on the number of times an elderly or disabled household can request an interim recertification between regularly scheduled annual recertifications.

### Hardship Waivers:

**Eligibility:** Households experiencing significant, unexpected, long-term (expected to last more than 60 days) drops in income or increases in eligible medical or childcare costs may apply for and receive a Hardship Waiver.

#### **Criteria:**

- Household paying more than 50% of adjusted income towards rent and utilities.

Hardship Applications are reviewed by CHA's Hardship Committee. If a Hardship waiver is granted, it counts as an interim recertification.

Family households can apply for Hardship waivers even if they've used ~~two~~ <sup>the one</sup> interim permitted between ~~biennial~~ <sup>annual</sup> recertifications.



Attachment D – HUD Income Limits for City of Cambridge (as of 5/14/10)

Household Size	80% Area Median Income (AMI) Project-Based Vouchers	95% AMI Enhanced Vouchers *
1 person	\$45,100	\$53,550
2 persons	\$51,500	\$61,200
3 persons	\$58,000	\$68,850
4 persons	\$64,400	\$76,500
5 persons	\$69,600	\$82,650
6 persons	\$74,750	\$88,750
7 persons	\$79,900	\$94,900
8 persons	\$85,050	\$101,000

\* The 95% AMI limits apply to those households with an elderly (age 58 and older) or disabled head of household or spouse. At this point in time, it is not clear if 80% or 95% apply to those households without an elderly or disabled head of household or spouse.

ATTACHMENT E

Here is an example to explain the use of the "reserve pool" of tenant-based Section 8 housing choice vouchers. These are not necessarily the actual numbers.

Of the 116 families, assume that 5 are determined to be over income for enhanced vouchers and 4 are determined to be over income for the project-based vouchers.

Starting #:	116	
	<u>- 5</u>	Not income eligible for enhanced vouchers
	111	
	<u>- 4</u>	Not income eligible for Project Based Program
	107	Units Eligible for Project Basing

Of the remaining 107 families, assume 98 have signed a binding commitment to participate in the Project Based Voucher Program.

	107	
	<u>- 98</u>	Families Opting to Convert to Project Based
	9	Families Opting for an Enhanced Voucher

In this example, HRI is 18 units (5 + 4 + 9) short of its goal to project base all 116 units, but could pull these from CHA's reserve pool of vouchers as these 18 families slowly move from the building. In this case, the HAP contract would be for 98 initial project based vouchers with a stipulation to increase by 18 over the life of the contract. This would leave a balance in the reserve pool of 19 tenant-based vouchers that would be available, on a first come basis, to Inman Square Apartment residents who want to move from the building.