



Finance Committee Report

City of Newton In City Council

Monday, June 10, 2019

Referred to Zoning & Planning, Public Safety, and Finance Committees

#136-19 Short-term rental ordinance with fees

DIRECTOR OF PLANNING proposing amendments to Chapter 20 and 17 of the Revised Ordinances of the City of Newton to create a short-term rental ordinance with fees that would require registration of short-term rentals with the City's Inspectional Services Department and fire inspections to protect public health and safety.

Public Safety Approved 4-0-1 (Cote abstaining; Grossman not voting)

Action: Finance Approved 4-0 (Grossman recused)

Note: Director of Planning & Development Barney Heath and Assistant City Solicitor Jonah Temple joined the Committee for discussion of this item. The item is before the Finance Committee for the setting of the fee and fine associated with the proposed ordinance amendment to require registration and fire inspections of short-term rentals. In addition, the Zoning and Planning Committee is working on a coordinating zoning ordinance that defines the permitting process and in what zoning districts short-term rentals would be an allowed use.

A new State law requires short-term rental operators to register with the State and allows the State to collect lodging taxes from the operators. The City will be able to collect a 6% lodging tax on short-term rentals, as the City previously accepted a local lodging tax; however, the State law exempts short-term rentals that operate for less than 15 days a year from the tax.

The Administration is proposing a filing fee of \$100 for registration of a short-term rental. The proposed fine is \$300 per day for violation of the short-term rental ordinances for each day the violation persists. The fee is in line with other City registration fees and with what other municipalities are charging for a short-term rental registration fee. The \$300 per day fine is what is allowed by State law. A Committee member asked how the City planned to let short-term rental operators know about the new requirements. Mr. Heath stated that the Planning & Development Department reached out to Airbnb National to let them know about the proposed ordinances. Airbnb has a good system of notification for their users. It was suggested that the Administration consider sending out a mailer on the registration requirement. The Administration expects to create a database of all short-term rentals within the City to track registrations, complaints, and violations.

It was pointed out that the Zoning & Planning Committee has not finalized the short-term rental ordinance or made a recommendation to the Finance Committee on the fees and fines. The Finance Committee may want to consider holding the item until Zoning & Planning Committee has completed its work. Mr. Temple explained that the State law, which provides the framework for municipal regulations

for short-term rentals, goes into effect on July 1, 2019 and the hope is to have the City's short-term rental ordinances in place by July 1, 2019. The Zoning & Planning Committee has seen the proposed fee and fine and have not indicated that they would like to consider a different fee and fine. It was pointed out that the Committee could approve the proposed fee and fine and if the Zoning & Planning Committee recommended something else, discuss it during Second Call at a Council meeting or take the item back into Committee. With that, Councilor Noel moved approval, which carried by a vote of four in favor and one recused.

Referred to Public Facilities and Finance Committees

#161-19 **Appropriation of \$2 million for design of the Washington Street corridor**
HER HONOR THE MAYOR requesting authorization to appropriate and expend two million dollars (\$2,000,000) from Free Cash for the purpose of developing 25% conceptual design of the Washington Street corridor in order to make the improvements to the corridor eligible for the State's Transportation Improvement Program (TIP) funding.

Public Facilities Held on 06/05/19

Action: **Finance Held 6-0**

Note: The Chair is requesting that the above item be held for further discussion at the Public Facilities Committee before the Finance Committee takes an action. The Mayor submitted a request to amend the docket item by requesting the Council authorize the appropriation of the funds to an account for design of Washington Street with the requirement that the Administration get Council approval for any expenditure from that account. During the Public Facilities Committee's discussion on June 5, 2019, concerns were raised related to approving \$2 million to essentially be held in reserve for the Washington Street Design Project. The Public Facilities Committee felt that it would be more appropriate to fund each portion of the project as it moves forward instead of allocating the full amount.

The Public Facilities Committee held the item at its last meeting for a breakdown of the costs for a trial to perhaps amend the item and approve that amount of funding. The trial would take place between Chestnut Street and Lowell Avenue and include traffic counts. The Chair put the item on the Finance agenda to move the item forward with the hope that the Commissioner of Public Works could provide a cost for a trial; however, he met with the Commissioner of Public Works earlier in the day and learned that the estimated costs for traffic counts and trial are substantially higher than originally discussed during the Public Facilities Committee meeting. The area of the traffic counts was also expanded beyond the scope of the trial. The estimate for traffic counts includes all intersections from Chestnut Street in West Newton to Thorton Street in Newton Corner. After learning of the high costs, the Chair feels it is important that the substantive committee discuss the costs and whether the traffic counts to Thorton Street are necessary at this point or if it makes more sense to only do traffic counts in the area of the trial. Once the Public Facilities Committee completed its discussion, it would then make a recommendation to the Finance Committee. In addition, it is important to understand the full scope of the project and what the project entails including what information MassDOT needs in order to add the project to the Transportation Improvement Plan (TIP), which is a broader discussion encompassing more than the financial aspects.

A Committee member asked why the Administration is making the request. Ms. Lemieux explained that the \$2 million is currently available in Free Cash but will become tied up on July 1, 2019 until next year's Free Cash is certified in September or October. Approval of this request would ensure that the funding for the 25% design of the Washington Street Corridor is available. The Chair pointed out that there is no rush on this project, as it is going to take awhile to figure out the best options for the Washington Street Corridor redesign. With that, Councilor Cote moved approval, which carried unanimously.

Referred to Public Facilities and Finance Committees

#198-19 Authorization to acquire by purchase 1135 Washington Street from the State
HER HONOR THE MAYOR requesting authorization to acquire by purchase the West Newton Armory building and land located at 1135 Washington Street for affordable housing, and further requesting that the sum of one dollar (\$1) be appropriated from the Municipal Building Maintenance/Building Improvements Account to fund all costs associated with the acquisition of such property.

Public Facilities Approved as Amended 8-0 on 06/05/19

Action: Finance Approved as Amended 5-1 (Noel opposed)

Note: Chief of Staff Jonathan Yeo, Assistant City Solicitor Jonah Temple, and Director of Planning & Development Barney Heath joined the Committee for discussion of this item requesting authorization to purchase the property at 1135 Washington Street. In addition, the acquisition of the property requires special legislation from the State. The Mayor submitted a request to amend the docket language to include language that expands the possible use of the site beyond affordable housing and acquire the West Newton Armory and land for a price to be determined. If the use is anything but affordable housing, the State's Division of Capital Asset Management and Maintenance (DCAMM) would set the price of the property by restricted appraisal depending on the use of the property.

There was concern that the Mayor was no longer considering affordable housing as an option for the site. Mr. Yeo responded that he believes that the Mayor asked to amend the item to have a discussion of the possible other uses for the armory building. The Mayor is still thinking that the best use for the site is affordable housing and does not see any other public uses for the site, but it is important to have the discussion. In addition, this type of amendment does not slow down the process for acquiring the property. There is enough time to fully explore different uses for the site and it is also important that the City determine that the building and land are appropriate for housing. The State requires the special legislation for the purchase of the property be filed with the State Legislature by September 2, 2019. If that deadline is not met, the State could opt to offer the property on the open market.

A Committee member stated that all the Ward 3 Councilors are in favor of the option to explore alternate uses for the site. A Committee member asked if the State would allow a mix of market rate and affordable housing units at the site. It was explained that the State is clear that the housing must all be affordable at 80% of the area median income or less.

Councilor Rice moved approval of the authorization as amended. The Chair stated that the Public Facilities Committee urged the Administration to move forward with the Real Property Reuse process expeditiously and asked Councilor Rice to consider a further amendment to that effect. Councilor Rice was agreeable and amended his motion, which carried by a vote of five in favor and one opposed. Council Noel stated that she is voting against the item because she feels the only appropriate use for the site is affordable housing.

#533-18 Review/Acceptance of the FY 2020 – FY 2024 5-year Financial Forecast
HER HONOR THE MAYOR submitting the Fiscal Years 2020 to 2024 5-Year Financial Forecast for City Council review/acceptance.

Action: Finance Approved 6-0

Note: Chief Financial Officer Maureen Lemieux reviewed the FY 2020 – FY 2024 5-year Financial Forecast. She explained that there several factors that drive the budget and influence the City's financial future. The drivers include redevelopment and new growth, pension and other post-employment benefit (OPEB) liabilities, collective bargaining agreements, and growth in student enrollment. The Administration works to put together a thoughtful financial forecast that is balanced and meets the goals of the administration when it comes to education, public safety, economic development, improving capital infrastructure, environmental sustainability and community engagement.

Ms. Lemieux provided some of the highlights of the forecast. The City is beginning to see smaller Chapter 70 aid as a result of Education Reform and decreasing enrollment. Ms. Lemieux estimated \$1.1 million this year in Chapter 70 aid and believes the City is receiving around \$800,000. The revenue from excise tax has stabilized, as people are not buying as many new cars. The City is still on track with its pension liability funding.

One of the largest impacts on the forecast and the City's budget is collective bargaining agreements. The Administration is starting to negotiate three-year contracts with most of the City's unions. The union contracts have a large impact on health benefit and compensation costs.

The Administration continues to take a careful look at its debt funding. Both the Newton Early Childhood Program and 150 Jackson Road are moving forward; however, the estimates for both higher than anticipated. The Administration will need to look at the project costs and work to decrease them.

There was a question regarding the approximate 1% funding gap each of the five years in the forecast. Ms. Lemieux explained that she believes every forecast should have a gap. The philosophy is that the City grows into filling the gap each year. It pushes the City to achieve more. It is a method, which drives Ms. Lemieux to make tougher decisions. The credit rating agency is aware of the practice and understands the decision.

Councilor Norton moved approval of the acceptance of the Fiscal Years 2020 to 2024 5-Year Financial Forecast, which carried unanimously.

The Committee adjourned at 8:45 PM and all other items before the Committee were held without discussion. Draft Council Orders for the above items that are recommended for City Council action are attached.

Respectfully submitted,

Leonard J. Gentile, Chair

CITY OF NEWTON

IN IN CITY COUNCIL

2019

ORDERED:

That, in accordance with the recommendation of the Public Facilities and the Finance Committees through their respective Chairs Deborah J. Crossley and Leonard J. Gentile, the authorization to acquire by purchase the West Newton Armory Building and land located at 1135 Washington Street, West Newton for affordable housing or a public use for a price to be determined, be and is hereby approved.

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON
City Clerk

(SGD) RUTHANNE FULLER
Mayor

Date: _____

CITY OF NEWTON

IN CITY COUNCIL

2019

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, the City Council has reviewed and hereby accepts the FY20-FY24 Five-year Financial Forecast submitted by His Honor the Mayor on October 16, 2019.

Under Suspension of Rules
Readings Waived and Adopted

(SGD) DAVID A. OLSON
City Clerk