



Finance Committee Report

City of Newton In City Council

Monday, September 25, 2017

Present: Councilors Gentile (Chair), Ciccone, Norton, Blazar, and Lappin

Absent: Councilors Brousal-Glaser, Rice, and Fuller

Also present: Councilor Leary, Auchincloss, Hess-Mahan, Sangiolo, Baker, and Kalis

City staff present: Ouida Young (Associate City Solicitor), Alice Ingerson (Community Preservation Planner), Rachel Powers (Community Development Programs Manager), Amanda Berman (Housing Development Planner), Barney Heath (Director of Planning & Development), Nick Read (Chief Procurement Officer), and Sue Dzikowski (Comptroller)

Referred to Land Use and Finance Committees

#221-17 **\$977,000 for CAN-DO to create 8-units of affordable housing at 236 Auburn Street**
COMMUNITY PRESERVATION COMMITTEE recommending the appropriation of three hundred thousand dollars (\$300,000) for historic rehabilitation and six hundred seventy-seven thousand seven hundred dollars (\$677,700) for affordable housing for a total of nine hundred seventy-seven thousand dollars (\$977,000) from the Community Preservation Fund, to the Planning & Development in Newton (CAN-DO), to create 8 units of permanently affordable rental housing at 236 Auburn Street, Auburndale, including 5 units in a congregate home to be owned and operated by the Barry L. Price Rehabilitation Center, as described in CAN-DO's proposal submitted to the Community Preservation Committee in May 2017. [06/19/17 @ 5:19 PM]

Land Use Approved 6-0 on 09/07/17

Action: **Finance Approved Subject to Second Call 3-1-1 (Gentile opposed, Ciccone abstaining)**

Note: The item was originally approved in Finance Committee but held in Committee at the September 18, 2017 full Council meeting at the request of the Chair of Finance. Councilors have reservations regarding how the funds are going to be distributed. Although members of the Committee agree that the project itself is a good project, there are concerns that center on CAN-DO receiving \$1.4 million dollars in public funding when it has no staff and not enough funds to maintain its current portfolio of affordable housing. It does not seem appropriate to continue adding to CAN-DO's portfolio when there are questions on how CAN-DO will address the repair and maintenance needs for its existing affordable housing units.

Executive Director of Metro West CD and CAN-DO Jennifer Van Campen explained that the terms of the management contract between CAN-DO and Metro West require that affordable housing project in Newton are developed by CAN-DO. There is a commitment to continue with the CAN-DO name because CAN-DO is a recognizable name in developing affordable housing in Newton and donors and supporter are comfortable contributing to CAN-DO because contributions go directly to developing

affordable housing in Newton. The CAN-DO work and name are important to people involved in local affordable housing.

It was pointed out that CAN-DO branding is not as strong with people that are knowledgeable in regards to CAN-DO's finance and it may be appropriate to look at adding to Metro West's portfolio instead of CAN-DO. Ms. Van Campen reiterated that the current intention is to keep both CAN-DO and Metro West as separate entities. Metro West is not exploring any other organizational set up.

The contract between CAN-DO and Metro West states that Metro West provides staff as needed on behalf of CAN-DO, which Metro West is currently providing in the form of an Executive Director, and Administrative support, project management, and property management staff. The streamlining of CAN-DO administration should result in savings. Ms. Van Campen also pointed out that the Auburn Street project sets CAN-DO on a slightly different trajectory in terms of finances. The expectation is that the project will strengthen CAN-DO's portfolio and will increase CAN-DO's reserves in the future. If all goes well, it is likely that CAN-DO will continue to look to develop affordable housing in Newton. CAN-DO will also be undertaking an assessment of its current portfolio that includes assessing capital needs, operational methods, and tenancy issues. The sense is that some of CAN-Dos projects are financially strong, while others are weak.

Several Councilors asked Ms. Van Campen what would happen if a project in CAN-DO's portfolio needed a capital investment like a new roof. Ms. Van Campen explained that CAN-DO is financially responsible for its portfolio including providing funding for capital improvements. Metro West is a separate entity that is responsible for its own portfolio. Ms. Van Campen expects that by lessening the overhead for CAN-DO's operation, the reserves will grow and CAN-DO will have the ability to address its capital needs.

At the request of a Committee member, Ms. Van Campen provided information on the Cambria Road and Taft Avenue CAN-DO projects. Both projects are complete, three of the four units occupied, and the fourth units lease begins October 1, 2017. The projects are in the process of closing out with the City. All of the Taft Avenue and Cambria Road units are eligible for the State's housing inventory list.

Associate City Solicitor Ouida Young reviewed a proposed development agreement that would be between Metro West and CAN-DO to ensure that all public funds are expended on the Auburn Street Project and that the project is completed. The agreement is straight forward stating that Metro West will develop the project as CAN-DO. The proposed agreement needs review by each entity's Executive Board, which are the same people for both CAN-DO and Metro West. Ms. Van Campen stated that the Boards should not have a problem with the agreement, as Metro West has used this type of agreement with other projects. An agreement should be signed and available before the request for funding goes to the full Council for a vote.

Council members raised concerns about future CAN-DO projects. Ms. Young pointed out that the Council could look to the Auburn Street Project to determine the financial stability of the project and if there are sufficient funds to keep the Auburn Street Project running and take on an additional project(s). Several Councilors stated that they would be more comfortable with approving public funding for the project if Metro West took ownership of the project. Ms. Van Campen responded that although there are no plans to merge CAN-DO and Metro West, the hope is that streamlined CAN-DO management will strengthen its financial health and enable CAN-DO to address all of its capital needs.

Bart Lloyd, Board Member of CAN-DO and Metro West spoke on the affiliation of CAN-DO and Metro West. When the CAN-DO Board learned that Executive Director of CAN-DO was retiring, they interviewed 30 of CAN-DO's constituency in the community to determine how to move forward with CAN-DO. The majority of people responded that they would like to see CAN-DO's mission of developing affordable housing in Newton continue with a more sustainable financial model. Mr. Lloyd believes that the affiliation accomplishes the goal of a healthier financial situation for CAN-DO. Although retired Executive Director Josephine McNeil did an excellent job, she did not have a support staff. He feels that there already improvements in management, as there is more staff available to support CAN-DO's mission.

There was a request that Mr. Lloyd inform the Executive Boards of CAN-DO and Metro West that there is a preference that Metro West takes ownership of projects in the future. With that, Councilor Norton moved approval of the item subject to second call in order to receive a copy of the signed development agreement between CAN-DO and Metro West. The Committee approved the motion by a vote of three in favor, one opposed, and one abstention.

Referred to Programs & Services and Finance Committees

#259-17

Increase the number of years the City can lease Weeks House

HIS HONOR THE MAYOR requesting consideration of a request to petition the General Court for special legislation to increase the number of years the City of Newton is authorized to lease the Weeks House from the current period of sixty-five years, as authorized by the Acts of 1981, Chapter 330, to a period of up to ninety-nine years.
[08/07/17 @ 2:23 PM]

Programs & Services Recommended Approval 3-0 (Hess-Mahan, Sangiolo, Baker not voting)

Action: **Finance Approved 5-0**

Note: The Programs & Services and Finance Committees met jointly to discuss the above item. The Committees discussed the item on September 11, 2017 but held the item for input from the City's Law Department and Chief Procurement Officer regarding the portion of the request to seek Home Rule Legislation to waive the procurement process. Chief Procurement Officer Nick Read, and Associate City Solicitor Ouida Young joined the Committees for the discussion as well as Director of Newton Community Development Foundation (NCDF) Jeanne Strickland and Counsel for NCDF Alan Schlesinger.

The docket item is a request to petition the General Court for special legislation that authorizes the City to lease the Weeks School for a term not to exceed ninety-nine years and to grant a lease extension to NCDF without going through the municipal procurement process. . The City sought and received special legislation in 1981 to lease the Weeks House for a term of 65 years and NCDF and the City entered into the lease agreement in 1983. Approval of the proposed special legislation would extend the lease to 2066. The request for the extension is because NCDF is investigating refinancing opportunities for the Weeks House and lenders require that leases extend at least 10 years beyond a 25-year term loan. If the General Court approves the special legislation, the request to extend the lease would come before the City Council for approval.

There was a question regarding whether NCDF has ever paid the City the additional 20% of the amount by which gross effective rent for any year exceeds the amount projected by the original lender as of the date of first occupancy, as required by the lease agreement. NCDF has paid the 20% payment every year except from 1996 to 2000, as there was a lease amendment to waive the 20% payment for five years.

Nick Read spoke on the request to consider waiving the procurement process. He explained that normally the lease extension would need to go through an open procurement process but because the request is to seek Home Rule Legislation through the legislature, he feels it would still be an open process. Ms. Young pointed out that it does not make sense for the lease of Weeks House to go through the procurement process. The property would not be available until 2048 making it very difficult for the City to solicit bids. As the City is already considering special legislation for the lease extension, it makes sense to ask for legislation to waive the procurement process in this instance. Both Mr. Read and Ms. Young feel that is appropriate to include the waiver of the procurement process as part of the request for special legislation. With that, Councilor recommended approval of the item in the Programs & Services Committee, which carried by a vote of three in favor and none opposed. Councilor Ciccone moved approval in the Finance Committee, which carried unanimously.

All other items before the Committee were held without discussion and the Committee adjourned at 8:03 PM. Draft Council Orders for the above items are attached.

Respectfully submitted,

Leonard J. Gentile, Chair

CITY OF NEWTON

IN CITY COUNCIL

2017

ORDERED:

That, in accordance with the recommendations of the Land Use Committee through its Chair Marc C. Laredo; and the Finance Committee through its Chair Leonard J. Gentile, three hundred thousand for historic rehabilitation and six hundred seventy-seven thousand seven hundred dollars (\$677,700) for affordable housing be hereby appropriated from the Community Preservation Fund as shown below to the Planning and Development Department for a grant to Citizens for Affordable Housing Development in Newton (CAN-DO) to create eight units of permanently affordable rental housing at 236 Auburn Street, Auburndale, including five units in a congregate home to be owned and operated by the Barry L. Price Rehabilitation Center, as described in CAN-DO’s proposal submitted to the Community Preservation Committee in May 2017.

From: Community Preservation Budget Reserve (21R10498-5790)	\$331,597
Community Preservation Housing Reserve (21R10498-5790C)	\$346,103
Community Preservation Historic Resources Reserve (21R10498-5790B)	\$300,000
To: Auburn Street Housing (21C11423-5795)	\$977,700

Under Suspension of Rules
Readings Waived and Adopted

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

Date _____

CITY OF NEWTON

IN CITY COUNCIL

2017

ORDERED:

The request for approval of Home Rule legislation for enactment by the General Court be and is hereby approved by the Honorable City Council:

AN ACT AUTHORIZING THE CITY OF NEWTON TO LEASE THE JOHN W. WEEKS SCHOOL FOR A TERM OF YEARS NOT EXCEEDING NINETY-NINE YEARS AND TO GRANT A LEASE EXTENSION TO THE CURRENT LESSEE OF THE FORMER JOHN W. WEEKS SCHOOL WITHOUT UNDERTAKIN A PROCUREMENT PROCESS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Section 1. Notwithstanding THE PROVISIONS OF SECTION THREE OF CHAPTER FORTY OF THE GENERAL LAWS OR CHAPTER 330 OF THE Acts of 1981 or any other law to the contrary the City of Newton is hereby authorized to lease the John W. Weeks School for a term of years not exceeding ninety-nine years.

Section 2. Notwithstanding the provisions of chapter 30B of the general laws or of any other law to the contrary, the City of Newton is hereby authorized to grant a lease extension to Newton Community Development Foundation, Inc., the current lessee of the John W. Weeks School, without underrating a procurement process.

Section 3. This Act shall take effect upon its passage.

Approved as to legal form and character:

DONNALYN LYNCH KAHN
City Solicitor

Under Suspension of Rules
Readings Waived and Adopted

EXECUTIVE DEPARTMENT

Approved:

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor