



Finance Committee Report

City of Newton In City Council

Monday, April 11, 2016

Present: Councilors Fuller (Acting Chair), Ciccone, Norton, Brousal-Glaser, Blazar, and Lappin

Absent: Councilors Gentile and Rice

Also present: Councilors Albright, Baker, Crossley, Danberg, Hess-Mahan, Kalis, Leary, Sangiolo, and Yates

City staff present: Alice Ingerson (Community Preservation Planner), James Freas (Acting Director of Planning & Development), Maura O'Keefe (Assistant City Solicitor), Shane Mark (Director of Operations; Department of Public Works), and James McGonagle (Commissioner of Public Works)

Referred to Zoning & Planning and Finance Committees

#125-16 Community Preservation Committee funding for Allen House

COMMUNITY PRESERVATION COMMITTEE recommending the appropriation of two million dollars (\$2,000,000) from the Community Preservation Fund to the Planning & Development Department, for a grant to the Newton Cultural Alliance, for the historic rehabilitation of the Nathaniel Allen House (35 Webster Street, West Newton) as a community cultural center, as described in the proposal submitted to the Community Preservation Committee in February 2016. [03/16/16 @ 12:46 PM]

Zoning & Planning Approved 8-0 on 04/11/16

Action: Finance Approved 6-0

Note: The Committee met jointly with the Zoning and Planning Committee on the item. The agenda for the Finance Committee meeting included backup material with extensive information on the project and the Community Preservation Committee's recommendation. Chair of Community Preservation Committee (CPC) Jim Robertson presented the Newton Cultural Alliance request for \$2 million in Community Preservation Act (CPA) funds for the rehabilitation of the Nathaniel Allen House. Once the project is complete, the plan is to use the historic house as a community cultural center. The mission of the Alliance is to have arts and cultural organizations in a collaborative work environment and to hold events with the community. The CPC unanimously recommended the appropriation of the funds for this project, as the project preserves and rehabilitates a historic landmark, while providing office, meeting room, classrooms and event spaces for non-profit arts groups. The Newton Cultural Alliance plans use CPA funds well and they have implemented the emergency repairs very quickly, which were partially funded with \$300,000 of CPA funds in the first phase of the rehabilitation. The CPC was also impressed with the detail and thoughtfulness of the materials provided by the Cultural Alliance to the CPC.

The budget for the project shows that CPA funding is less than 40% of the total project funding. The project is also relying on funding from the Massachusetts Cultural Council, private donations and

historic tax credits. The Massachusetts Historical Commission accepted the Cultural Alliance's initial application for tax credits, which confirms that the project plans comply with federal historic rehabilitation standards as required by the State CPA statute.

Adrienne Hartzell, Managing Director of the Newton Cultural Alliance added that one of the things that the Alliance has done for leveraging is to allow the Junior League of Boston to use the Allen House as its show house for 2016. The Junior League has refreshed the interior of the Allen House and it looks amazing. All of the Councilors have received invitations to the opening of the show house and Ms. Hartzell encouraged the Councilors to attend to see the wonderful work of the volunteers and see the future opportunities for the property. The Junior League will leave all of the decorating in place once the tours are over. There is also the benefit of exposure for the Allen House.

There was a question related to whether the funding would be bonded and how it affects the pool of funds available for other projects. There is still over \$6 million in CPA funds that will roll over into the next fiscal year. Mr. Robertson stated that the CPC looked at the project and the importance of preserving a historical landmark and thought of it as an opportunity to bring in a group that had the wherewithal to spend this money appropriately. The project creates a building with a breadth of programming that is likely to sustain itself once the renovation is complete.

The funding is not being bonded partly because this is not the appropriate time to sell bonds. There are thresholds in terms of the how much money the Cultural Alliance must raise from non-CPA sources before certain percentages of the CPA funding are released. Once the Alliance has spent the \$2 million, there is no further commitment on the part of the City. The architect for the project explained that the phasing for the renovation was based on each of the thresholds for funding. If the Alliance meets the first threshold, the \$600,000 in released CPA funds would be used to address the first phase of the project and so on until the \$2 million dollar grant is expended.

There was a question regarding how the house at 406 Cherry Street played into the plans for the Allen House property. Ms. Hartzell informed the Committees that 406 Cherry Street, which abuts the Allen House property, is owned by a separate LLC from the Newton Cultural Alliance. If at some point the Cultural Alliance is able to merge the properties because things are going well financially, 406 Cherry will become part of the Allen House property.

There was a question regarding why the barn was not being considered for rental along with the different spaces within the main house. Ms. Hartzell explained that eventually the Alliance will rent out the barn but it needs significant repairs in the meantime. The hope is to use the barn as a black box theater. NewTV is also interested in possibly putting in a studio in the barn to tape performances. The operating budget does not rely on any rental income from the barn. Mr. Robertson pointed out that the Cultural Alliance was very conservative in their operating numbers and that the development fee is minimal. The Alliance worked with consultants from Soar 55 to develop the 10-year operating budget that was provided in the attached information.

There was concern regarding the parking situation at the Allen House. The original historical restriction on the property stated that there could be no more than 40 spaces on the site and when the Alliance went to the Historical Commission in 2013, they granted the Alliance 26 spaces on the site. The Commission stated that the Alliance could come back for further parking if the Alliance could support the need.

The project does not require a special permit for the renovation or parking plan for the property. The Commissioner of Inspectional Services made the determination that it is a Dover Amendment protected property. There was concern that the neighborhood did not have an opportunity to comment on the project. The project including parking plans went to the Historic Commission for review. There were extensive meetings and public hearings with the community related to the parking. The parking area was redesigned in response to neighborhood concerns. The Ward Councilors stated that the project was thoroughly vetted by the neighborhood. It was pointed out that there is a T parking lot that can be used for events, on-street parking, and the Alliance is in discussions with private entities to share parking. The available parking should be sufficient for the uses on the site.

There was a question regarding why the CPA budget for the project increased by 15% and whether the total project budget went up by 15%, as well. Ms. Hartzell believes the whole budget went up by 15%. She explained that the increase is partially a result of the addition of a geo-thermal HVAC system for the building. There are also additional structural issues that were discovered like missing foundations. There was a request that the deltas for all funding sources and the total budget be provided for the City Council meeting on April 19, 2016 to understand what happened to the budget because of the changes.

Councilor Albright moved approval of the item in the Zoning and Planning Committee, which carried unanimously. Councilor Brousal –Glaser moved approval of the item in the Finance Committee, which carried by a vote of five in favor, none opposed.

Referred to Land Use and Finance Committees

#356-15 **Request for CPA funding for two units of affordable housing at 10-12 Cambria Rd**
COMMUNITY PRESERVATION COMMITTEE recommending the appropriation of four hundred seventy-one thousand one hundred seventeen dollars (\$471,117) from the Community Preservation Fund to the Planning & Development Department for a grant to Citizens for Affordable Housing Development in Newton (CAN-DO), to create two units of permanently affordable rental housing at 10-12 Cambria Road, as described in the proposal submitted to the Community Preservation Committee in October 2015.
[12/08/15 @ 12:08 PM]

Land Use Approved 6-0 on 02/02/16

Action: **Finance Approved 5-0-1 (Norton abstaining)**

Note: The above item was discussed and held on February 10, 2016 for further information and answers to several questions that were raised during the discussion. Community Preservation Committee Chair Jim Robertson, Planning and Development Board Chair Scott Wolf, Acting Planning & Development Director James Freas, and Josephine McNeil joined the Committee to provide information and respond to questions. Executive Director of Citizens for Affordable Housing Development in Newton (CAN-DO) Josephine McNeil also joined the discussion. Questions from the previous meeting included how the CAN-DO project on Taft Avenue was progressing, the financial viability of CAN-DO and its projects and whether CAN-DO's projects qualify for listing on the State's Housing Inventory List (SHIL).

Jim Robertson stated that the Community Preservation Committee (CPC) supported the Cambria Road request after much discussion, as CAN-DO is the only developer that provides affordable housing that is small scale, uses existing housing, integrates families into neighborhoods, and has no effect on neighborhoods. There is a split on the Committee regarding an affordable housing strategy, as some members feel larger scale projects are the way to go but ultimately, the majority of the Committee supported the project.

The Planning & Development Department provided a memo to the Committee responding to the issues and questions raised at the previous meeting, which was attached to the agenda for this meeting. The City submitted an application to the State to have 54 Eddy Street, 61 Pearl Street, and 2148-2150 Commonwealth Avenue placed on the State's Housing Inventory List (SHIL) for affordable housing. The State has not provided a written response to the application but it was verbally stated that those housing units were not currently eligible to be listed. The process used to rent the units did not follow the State requirements, which require a lottery process for rental in order to be on the SHIL. The Planning Department believes that once the current tenants move from the units, a lottery process that follows the State's guidelines could be used and the units would be put on the SHIL. CAN-DO will follow the State's process for the units at Taft Avenue and Cambria Road; therefore, those units will be placed on the SHIL immediately. Moving forward, the City and CAN-DO will follow the State's process for qualifying affordable housing for the SHIL. Committee members were supportive of making sure affordable housing projects qualify for the list.

The memo also addressed the status of the Taft Avenue project. CAN-DO has worked to meet all of the conditions contained in the CDBG/HOME funding agreement. The memo provided a list of all of the conditions and what CAN-DO has done to meet the individual conditions. The Taft project has received no construction funds but funds were leased to pay down the mortgage. Josephine McNeil expects that she will get the building permit for Taft Avenue the week of April 11, 2016.

There was concern that the project budgets provided as attachments to the Planning Memo did not show a reserve for each of the projects. Ms. McNeil stated that CAN-DO has a reserve to cover maintenance and repairs on all their properties as recommended by the Planning and Development Board.

Chair of the Planning & Development Board Scott Wolf provided the Committee with a summary of their discussions related to the organizational review of CAN-DO project. The Board reviewed CAN-DO's financials including its ability to fundraise, as it is the organizations primary source of revenue. The fundraising is used for maintenance of properties, as the rents for the properties do not fully cover maintenance. Some members expressed concern regarding CAN-DO's financial stability. The Board also questioned whether CAN-DO has SHIL eligible units and it was explained that the units are likely eligible for the list. The Planning and Development Board recommended that the Mayor approve the use HOME and CDBG grant funding for the project by a vote of four in favor and two opposed. The opposition was a result of support for a housing strategy that calls for larger affordable housing developments. Other members felt that CAN-DO is the only non-profit organization that is providing housing units that are integrated into neighborhoods.

CAN-DO, basically, breaks even and relies on fundraising to remain afloat. There was a question regarding what would happen to CAN-DO's properties if it were to go bankrupt. Ms. McNeil stated that the properties would go to another non-profit organization. She does not feel that bankruptcy is a possibility. There is no debt on the last two properties that CAN-DO acquired. She added that the likelihood is that the City would not lose any money if bankruptcy occurred.

The Committee members were all concerned about CAN-DO's financial health but felt that it was important to continue to develop affordable housing. They all supported the use of existing houses for affordable housing projects, as they believe it is a good housing strategy. The Chair has also come to understand that non-profit organizations rely on government funding and fundraising to stay afloat. Although the funding situation is perilous, that is the nature of organizations like CAN-DO.

There was request for a date on when the Housing Strategy Report and would be available for review by the Council. Planning and Development Director James Freas explained that the consultant is currently revising the report at the Planning Department's request. When the report is ready for release, it will be provided.

Councilor Brousal Glaser moved approval of the item, which carried by a vote of five in favor, none opposed and one abstention. Councilor Norton abstained in order to further review CAN-DO's finances but stated that she does support their strategy for affordable housing.

Michael Lepie of Chestnut Street in Waban stated that he is disappointed that the Committee voted in favor of the request. He believes that CAN-DO is a fraudulent organization and that it is losing money. It takes on more debt than profit and the Executive Director takes a large developer's fee for each project. Mr. Lepie also feels that the organization should not receive any money for a project, including money to pay down the mortgage on a property, until they have a building permit in hand. In addition, CAN-DO originally received funding because its units became part of the SHIL but in recent history CAN-DO has not followed the process to include properties on the State's affordable housing list.

Referred to Public Facilities and Finance Committees

#118-16 Funding for traffic signalization, traffic signal knockdowns, streetlight work
HIS HONOR THE MAYOR requesting authorization to transfer the sum of four hundred twenty-five thousand dollars (\$425,000) from the Public Works' Street Maintenance Full-time Salaries Account to the following accounts:

Electrical Equipment R&M – Streetlighting (0140109-52404)	\$85,000
Electrical Equipment R&M – Transportation (0140115-52404)	\$215,000
Public Property R&M – Transportation (0140115-52409)	\$125,000

[03/15/16 @ 4:51 PM]

Public Facilities Approved 6-0 on 04/06/16

Action: **Finance Approved 6-0**

Note: Commissioner of Public Works Jim McGonagle and Public Works Director of Operations Shane Mark reviewed the request to transfer \$425,000 from the department's salaries account to supplement three accounts in the Transportation Division of the Public Works Department. Some of the funds are needed to pay outstanding invoices for streetlight repairs, signal maintenance, and pavement markings. The funds also include covering some of the costs of the War Memorial Lighting Project and the traffic signals at Crafts Street and Linwood Avenue. The request includes approximately \$110,000 for upcoming Transportation Division projects that have been prepaid.

There is money available in the Salaries Account due to 26 vacancies within the department, which the Commissioner is working to fill. He informed the Committee that the salary for the vacant Transportation Director was increased in the hopes of attracting candidates. The City has offered the Recycling Coordinator and Parking Manager positions to candidates.

The Transportation Division accounts were not increased for Fiscal Year 2017, but the Commissioner believes that the Traffic Division can manage with the allotted funds. There was concern among the Committee members that the department spent money that it did not have. The Commissioner explained that there was a delay in forwarding the invoices to the Budget Director; therefore, he was unaware that the account was overdrawn. Commissioner McGonagle is confident that this will not happen again. With that, Councilor Lappin moved approval.

All other items before the Committee were held without discussion and the Committee adjourned at 9:05 PM. Draft Council Orders for the above items that are recommended for City Council action are attached.

Respectfully submitted,

Ruthanne Fuller, Chair

CITY OF NEWTON

IN CITY COUNCIL

2016

ORDERED:

That, in accordance with the recommendation of the Zoning and Planning and the Finance Committees through their respective Chairs Theodore Hess-Mahan and Leonard J. Gentile, the sum of two million dollars (\$2,000,000) be appropriated from the Community Preservation Act Fund Accounts as shown below and expended under the control of the Planning & Development Department for a grant to the Newton Cultural Alliance for the historic rehabilitation of the Nathaniel Allen House (35 Webster Street, West Newton) as a community cultural center, as described in the proposal submitted to the Community Preservation Committee in February 2016., is hereby approved as follows:

From:	FY 2016CPA Historic Reserve	
	(21R10498-5790B)	\$76,208
	CPA fund Balance Historic Resources	
	(21-3321B).....	\$4,420
	CPA Undesignated Fund Balance	
	((21-3497)	\$1,919,372
To:	Allen House Historic Rehabilitation	
	21B11419-5797	\$2,000,000

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

Date: _____

CITY OF NEWTON
IN BOARD OF ALDERMEN

2016

ORDERED:

That, in accordance with the recommendations of the Land Use Committee through its Chairman Marc C. Laredo; and the Finance Committee through its Chairman Leonard J. Gentile, the sum of four hundred seventy –one thousand one hundred seventeen dollars (\$471,117) be appropriated from the Community Preservation Fund Accounts as shown below to the Planning and Development Department for a grant to create two units of permanently affordable rental housing at 10-12 Cambria Road, West Newton, as described in the Community Preservation Committee recommendation dated December 7, 2015.

From: CPA Housing Reserve	
(21R10498– 5790C)	\$357,251
CPA Reserve	
(21R10498 – 5790)	\$113,866
To: Cambria Road Housing	
(21-C11422-5797)	\$471,117

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

2016

ORDERED:

That, in accordance with the recommendation of the Public Facilities and the Finance Committees through their respective Chairmen Deborah J. Crossley and Leonard J. Gentile, the transfer of the sum of four hundred twenty-five thousand dollars (\$425,000) from the Public Works Department’s Full-time Salary Account to three accounts in the Transportation Division of Public Works for the purpose of supplementing those accounts, be and is hereby approved as follows:

From:	DPW Salaries (0140115-511001).....	\$425,000
To:	Electrical Equipment R&M – Streetlighting (0140109-52404)	\$85,000
	Electrical Equipment R&M – Transportation (0140115-52404)	\$215,000
	Public Property R&M – Transportation (0140115-52409)	\$125,000

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

Date _____