



Ruthanne Fuller
Mayor

City of Newton, Massachusetts

Office of the Mayor

2023 APR 24 PM 4:44

CITY CLERK
NEWTON, MA. 02459

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April 24, 2023

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Honorable City Councilors:

I respectfully submit this docket item to this Honorable Council requesting the approval of a home rule petition to allow the City to extend its current ground lease with the Newton Community Development Foundation (NCDF) for Warren House located at 1600 Washington Street.

In 1991 Newton Community Development Foundation (NCDF) purchased the former Warren Junior High School on Washington Street from the City for \$600,000. Subsequently in October of 1992, NCDF entered into a ground lease with the City for 65 years wherein it would operate and manage 59 apartment units in the former school building, 21 of which would be affordable apartments. The terms of the original lease required NCDF to provide the City with a 65 year term lease payment of \$1.5 million, payable in annual installments of \$75,000. The parties also agreed to a provision to defer payment on the annual rent if 50% of the property cash flow in a given year was less than the annual \$75,000 payment and any deferred rent would accrue at 8% simple interest. NCDF has paid all of the City's property taxes since acquiring the building but except for a negligible lease payment of \$3,997 never generated cash flow sufficient to make any further payments on the lease. At present, the outstanding principal rent due to the City is approximately \$1.4 million and the deferred interest is approximately \$2.4 million.

NCDF is looking to both refinance their current mortgage for needed capital improvements and to extend their current ground lease with the City (due to expire in 2056) for an additional 34 years to 2090.

As part of their request, NCDF has offered to provide the following:

1. Upon their refinance, NCDF would pay the City the principal rent balance of \$1.5 million.
2. NCDF would request that the City waive \$1.4 million of the interest amount owed and have NCDF pay a total of \$1 million to the City in equal annual installments of \$38,461 for 26 years, beginning in 2064.
3. In return for the City's forbearance, NCDF would agree to preserve the affordability of the current 21 units (including six where the 50% AMI affordability period has expired) in perpetuity and;
4. Agree to add affordability requirements to make another four (4) units affordable (at 80% AMI) in perpetuity for 25 units in total (42% of all units).

Please see attached a memo from Director of Planning & Development Barney Heath discussing the background and the negotiated solution. Also attached is the draft special act legislation created by the Law Department.

Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in blue ink that reads "Ruthanne Fuller". The signature is written in a cursive style with a large initial 'R' and a long horizontal stroke at the end.

Mayor Ruthanne Fuller



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

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Barney Heath
Director

MEMORANDUM

TO: Honorable Mayor Fuller
Jonathan Yeo, Chief Operating Officer

FROM: Barney Heath, Director, Department of Planning and Development

DATE: April 24, 2023

RE: **Docket Request to approve a home rule petition to allow the City to extend its current ground lease with the Newton Community Foundation for Warren House located at 1600 Washington Street.**

CC: Amanda Berman, Director of Community Development & Housing
Lara Kritzer, Community Preservation Act Program Manager
Andrew Lee, Assistant City Solicitor

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Please find attached draft language for the Special Act.

Please let me know if I can answer any questions related to this request.

AN ACT AUTHORIZING THE CITY OF NEWTON
TO LEASE THE WARREN JUNIOR HIGH SCHOOL

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 3 of chapter 40 of the General Laws or chapter 330 of the Acts of 1981 or of any other general or special law to the contrary, the city of Newton may lease the Warren Junior High School for a term of years not exceeding 99 years.

Section 2. Notwithstanding the provisions of chapter 30B of the general laws or of any other general law or special law to the contrary, the city of Newton may grant a lease extension to Warren House Associates Limited Partnership, the current lessee of the Warren Junior High School, without undertaking a procurement process

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