

City of Newton



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Barney S. Heath
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Newton Affordable Housing Trust

APPROVED MINUTES

May 18, 2023

The hybrid meeting was held on Wednesday, May 18, 2023, beginning at 4:04 P.M. Newton Affordable Housing Trust (NAHT) members Tamirirashe Gambiza, Ann Houston, Jason Korb, and Peter Sargent were present in Room 204 and City Councilor Alicia Bowman and Judy Weber attended virtually. Trustee Mayor Ruthanne Fuller was not present for this meeting.

Staff present in Room 204 included Planning and Development Director Barney Heath and Community Preservation Program Manager Lara Kritzer. Housing Development Planner Allison McIntyre also attending virtually. Ms. Kritzer served as recorder. Ms. Houston opened the meeting and Trustees and staff introduced themselves at this time.

Barney – State announced that w newton armory one of 27 projects receiving tax credits in Lowell this morning. Very exciting, first round funding

Review of Application for Funding of the Warren House Preservation and Rehabilitation Project

Present on behalf of the project were Newton Community Development Foundation (NCDF) Executive Director Jeanne Strickland, Affordable Housing Consultant David Levy and Gale Associates Representative Chris Musorofiti.

Ms. Houston thanked the applicants for the extensive application and their thoughtful response to the Trustees questions which were sent prior to the meeting. Ms. Houston also noted that AHT Trustee Judy Weber had recused herself from this portion of the meeting as she is also on the NCDF as their Vice Chair. Ms. Houston noted the importance of NCDF to affordable housing in Newton and that the preservation of one of its housing facilities is now the Trust's first application. She also noted that a separate application for this property was before the Community Preservation Committee (CPC) on May 9 and that the CPC had deferred their decision on that application pending the Trust's review. Ms. Houston stated that Trustees would like to do a complete review of the application now and have a second joint meeting with the CPC in the future before voting on the decision. Mr. Sargent added that he would also like to have a site visit to the property. Ms. Houston agreed that it would be helpful to see the building and noted that today the Trust had asked for a presentation to be followed up with questions

Mr. Musorofiti gave a PowerPoint presentation on the work that Gale Associates had completed on the Warren House and their proposal for replacing the windows and restoring and repairing the surrounding brick and cast stone. The presentation included a review of the estimated budget for the

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project. Following the presentation, Ms. Houston asked if they could start the discussion with the project expenses. She expressed concern that the windows appeared to cost \$11,000 each. Mr. Musorofiti stated that the pages with the window prices came from Essex Construction which had used these windows in similar installations. Mr. Korb stated that he had just finished a renovation project on a similar school in Bridgewater which had required historic reviews with the Massachusetts Historical Commission and the National Park Service. He noted that their building did not have gypsum on the inside like the Warren School but had been done within last few months with significantly less expensive window costs.

Mr. Musorofiti stated that his firm does a lot of work with A&A windows and that they had provided the cost per square foot used in the estimate. He noted that the numbers used in the application might be higher because they came from a union company and might be higher but that they wanted to give NCDF a conservative estimate. He stated that they do these quotes regularly and that they have been competitive in the public sector. Mr. Korb believed that the work is definitely necessary but felt that the Trust needed to spend its funds wisely. He suggested that they should complete the shop drawings and get more detailed bids as the project information right now was too general. He had difficulty understanding how these numbers could be so far from what he had just done in a similar school situation and had sent the Warren House numbers to his contractor for his opinion. The contractor had agreed that the cost of aluminum now was higher than when Mr. Korb's project had been bid out but did not think that that change explained a 600% increase in price.

Mr. Musorofiti noted that they had three out of twenty of the specifications done. They planned to have the rest of the drawings ready by the end of the next month so that they can continue work on the project. Mr. Korb did not think that they could fund the project based on general numbers. He thought that until they had all of the details and the bids were out on the street, it would be hard to evaluate the amount of funding requested.

Ms. Strickland noted that they were working on refinancing the building and needed to have their funding for the restoration work identified in order to complete that process and to renegotiate their ground lease. She explained that they had had to start the application process at this time so that they would know whether Trust funding was an option to use for these purposes. She thought that they would know the necessary information within the next six weeks in order to have these numbers but explained that they were not ready to go out to bid until they were sure about the financing for the project. She understood the Trust's concerns but felt that they would be able to provide firmer numbers as part of this process.

Ms. Houston stated that she found this extremely helpful. She noted that many of them were also developers and appreciated that this could be a chicken and egg problem. She saw this as a preliminary proposal that will be refined and asked if the applicants were interested in getting an expression of interest from the Trust on this basis. She thought that it would be difficult to make a funding commitment at this time and asked what the applicants were looking for from the Trust right now. Ms. Strickland noted that they had started the process to receive their 2009 funding in 2006. She thought that both the CPC and NHC had been supportive of the work in recent meeting and had not expected a vote at this meeting but would like to have an idea from The Trust of their support for the project so that they can share that information with other funding sources.

Ms. Houston asked if anyone had any other issues on either the budget or the proposed capital work. Mr. Sargent stated that he had no further questions. Mr. Korb asked about the ground lease and their plans to repay \$1.5 million to the City. Ms. Houston asked where those negotiations were at this time with the City. Mr. Gambiza asked why NCDF was paying this amount if they were also asking to extend the lease. Ms. Strickland answered that NCDF had begun discussing the lease extension with the City three years ago. The lease needed to be extended by at least ten years to meet the requirements of the new financing for the building and these changes required the City's permission. The ground lease payments were originally based on cash flow and were intended to be nominal payments over time. However, over time they had collected and now amounted to \$1.5 million due to the City. The City's proposal was that NCDF pay the principal due and that the City would waive the interest, but due to their partners and other financial considerations, they had asked the City to defer the interest expense instead. The current proposal was to extend the land lease through 2090 with the waived portion of the amount due deferred until that date as well. Ms. Strickland added that NCDF was up to date on their real estate taxes, which was over \$2,000 per unit annually.

Mr. Heath noted that the City was only asking for the principal on the ground lease to be paid at this time and that the interest would not be due before 2090. Mr. Gambiza asked if the terms of the ground lease could be amended so that their property tax payments covered it instead. Mr. Heath explained that the current agreement went back several decades and was done before all of the current staff and players were involved. Mr. Gambiza also asked if the ground lease would be used to place a perpetual affordability restriction on the building. Ms. Houston stated that in her experience working with ground leases in other locations, the leases were always for 99 years for \$1 because of the public benefit provided by the housing. She thought that the original structure of having the ground lease payments come out of cash flow presumed that there would not necessarily be any payments made. She thought that it was unfortunate that they were now using Trust funding to pay that bill. Ms. Houston asked whether the City would consider having any NCDF repayments to the City added to the Affordable Housing Trust funds rather than the general fund. Mr. Korb suggested that another solution if the City felt that it had to be repaid was to convert it into a balloon payment to be made in year 99 or another future date.

Ms. Strickland stated that they had initially hoped that the City would forgive the land lease funds and that they had been encouraged to seek other funding instead. She stated that they were also looking to use City HOME funds and explained that they could not refinance with the Massachusetts Housing Partnership or other similar sources due to their existing agreements and partners. Mr. Sargent noted that the existing financing deal was old enough that the partnerships behind it could be dissolved and asked if they were individuals or corporate investors? Ms. Strickland answered that they were corporate partners and that only one had left the original deal to date. She added that at the Weeks House, they leased the building from the City and so were not responsible for either taxes or a ground lease.

Ms. Houston asked if the existing historic preservation restriction would also be extended with the ground lease. Ms. Kritzer noted that the restriction had been a requirement for their past CPA funding and might need to be extended. Mr. Sargent asked what the Warren House's remaining partners got from their investment. Ms. Strickland stated that they benefited from the losses and Mr. Sargent expressed his amazement that the partners were still involved. Ms. Strickland stated that their funding agreement was the next in line for conversion in 2015 and that she was not sure what they will choose to do then but noted that they must be approached to do anything. She added that

the partners would need to pay their exit taxes if they left the deal. Ms. Houston wondered if there was interest in a bargain sale and Ms. Strickland answered that things had not gone that far yet. Mr. Sargent was concerned that the partners might get something out of the end of the deal. Ms. Strickland answered that the partners included individual corporate investors and former staff members of Keen Development. Ms. Houston noted that it was not the Trust's job to solve this issue but felt that it was their duty to raise these questions and consider its exposure.

Discussion next turned to the related issue of leverage. Mr. Sargent encouraged the NCDF's ongoing conversations to see what other funding sources could be used along with AHT and CPC funding. Mr. Levy noted that they had met with preservation consultant Maureen Cavanaugh and that she was considering the scope of work. He also noted that the building had received state historic tax credits in 2015 to fund Phase II of the building's restoration. Ms. Houston asked if they had considered federal tax credit funds. Mr. Levy stated that they had not. Mr. Korb noted that the project would have to meet a substantial improvements test which had a twenty-four month look back period. Mr. Korb thought that everything presented for the meeting had been well detailed and that the project could cover 20% of the rehabilitation costs with federal tax credits. Mr. Levy stated that it was also a question of how much time those funds would take. It was noted that the window work might also get some push back from MHC if they were not in bad enough condition.

Ms. Houston thought that the reference to how much time it can take to assemble state tax credits was a reasonable consideration and it was noted that those funds were contingent on further financing for the project. NCDF hoped to do the project in one phase which would take 3-4 months to complete. It was noted that most of the time needed for the project involved ordering the windows, mobilizing the equipment and taking it back down. Ms. Houston asked if any relocation would be required. Ms. Strickland answered no, that they might need to put up temporary plywood if necessary but that the intent was to have the old windows out and the new ones installed in one day. She explained that when this work had been done at Weeks House, they had been able to set aside another space in the building for day use by those having their windows replaced. Mr. Sargent stated that he liked the contingency amount proposed and thought that it was good to have a large cushion in the current climate. Mr. Levy noted that they were working on the bids now and that the price of materials continued to rise and that they were not sure on the pricing for labor yet.

A question was raised about funding for energy improvements. Mr. Heath noted that the first phase of ARPA funding would provide technical assistance to NCDF, 2Life and the Housing Authority to look at the overall energy needs in their large buildings and develop a detailed plan for improvements as well as possible funding sources. It was noted that there were currently a fair number of funding sources for this work. Mr. Heath stated that it was possible that additional ARPA funds might be available in the future to make improvements but that at the moment helping the City's plan was to focus on developing overall plans for future improvements. He added that the only ARPA funds committed to the Warren House to date were to do an energy evaluation.

Mr. Levy stated that he was looking into the new Department of Energy funding opportunities and that their project does technically fit the requirements but that he does not think it will super competitive. He stated that most funding applications were trying to complete deep energy retrofits. These projects also needed matching funds and could not use other federal funds for that match. Ms. Strickland stated that NCDF had been invited to the investment rehabilitation boot camp on June 8. She thought that this might be focused on deep energy but might be a consideration for this

project as well. She stated that the Warren House did not need heating or energy systems at this time. The existing windows had been installed or restored in the 1990s. For the historic windows, this included dipping them to delead the sash and installing new double paned glass. Mr. Korb asked if they were worried that there might be asbestos in the window caulking. Ms. Strickland stated that there might be some in the window frames and that this was a cost that they were trying to plan for. She added that the other windows on the building had been installed in areas where there had previously been other doors or windows.

Mr. Gambiza asked if private funding could come in as matching funds for this project. Ms. Strickland answered yes, that MassSave funding had been used at Casselman House, which was entirely affordable, but would be challenging to use in this case. Councilor Bowman noted that part of the request was to help preserve the 10% units that are expiring and that the rest would move four market rate units to 80% AMI and asked the applicant to talk more about the funding uses. Ms. Houston asked why the six units were not already affordable in perpetuity. Ms. Strickland stated that 15 of the 21 affordable units at Warren House expired after ten years and that the remaining six were tied to the first mortgage. She explained that the affordable housing restrictions did not fall under the term of the ground lease and that the six additional units were only proposed to be affordable through the length of the first mortgage.

Ms. Houston noted that the four additional units included one one-bedroom unit and three two-bedroom units. She stated that she would like to see the one-bedroom unit shifted to a three-bedroom unit as there is a need for more family units in the City. She stated that she was concerned that the Trust was being asked to invest \$190,000 per unit to preserve the site's existing affordability. Instead, she wanted to think about how this project could be amended to maximize the affordability of the project. Ms. Strickland stated that the building had six three-bedroom units, half of which were already affordable, but agreed to explore the possibility. Trustees asked how well these units were leasing. Ms. Strickland stated that they did not have any turnover in these units as two held 2 long term families and one was rented to a program that mentored clients coping with head injuries. Mr. Levy noted that this change would impact the first mortgage as it would bring in less rent but that it would be easy to look at this option and consider how the change would impact their numbers.

Ms. Houston noted the issues that the Trust wanted the applicant to look into before coming back included the pricing on the windows with the specifications and plans which are at least at 70% completion and all relevant prices included; more leveraging by having NCDF find some other resources to help reduce the City's cost for the project; and increased affordability. Ms. Houston noted that Trustees would love to see deeper affordability and project based subsidies in the project but that at a minimum it needed to include a three-bedroom unit at 80% AMI. Mr. Korb raised the issue of the property taxes for the units, which he thought was way too high. He asked if the applicants had ever appealed the City's assessment and Ms. Strickland answered yes and offered to provide their data. Ms. Houston agreed that real estate was always an issue and thought that this issue should be dealt with only offline.

Mr. Korb left the meeting at this time.

Discussion with U-CHAN representatives on their ideas for supporting the work of the Trust

Ms. Weber joined the meeting at this time. Also joining the Trustees in Room 204 were Josephine McNeil, Melissa Burnstein, Kathy Lauffer, Brooke Lipsitt, Linda Morrison from the League of Women Voters, and Frances Godine.

Ms. McNeil explained that U-CHAN stands for United Citizens for Housing Affordability in Newton and was initiated by former Community Development Director Steve Gartrell in the 1990s. Housing prices were rising at that time and he had thought it would be good for City staff, housing providers, and those addressing housing needs to talk about housing affordability in Newton. Ms. McNeil stated that over time, U-CHAN became primarily an organization of housing developers and those in need of housing with a mission focused on educating Newton citizens about the City's affordable housing needs. U-CHAN was part of the work to have the CPA program adopted in Newton and successfully raised money and support for passing that legislation. For many years the organization continued in that vein, occasionally advocating for specific projects but more often remaining general in their support because of a concern that specific projects could draw hard lines in the community. She noted that their organization was unincorporated with about 60-70 people on their mailing list but only fifteen or so who attended regularly.

Ms. McNeil noted that the Trust was now formed and functioning yet many people in Newton still had no idea that it existed, what it could do and what role it could play for affordable housing in the City. Margaret Rolance stated that she is also a member of Our Lady Help of Christians' racial and social justice ministries and is concerned about affordable housing. She stated that she started from a position of caring deeply about affordable housing but not understanding how it was done. She thought it would be very helpful if more people could learn these efforts and be educated on it. Ms. Lipsitt stated that she is an affordable housing advocate. She noted that she ran as one when she joined the Board of Aldermen in 1991 and was still one as a member of the Zoning Board of Appeals (ZBA). She noted that there were not a lot of opportunities for affordable housing and thought that if the Trust could use U-CHAN as an educational and advocacy partner then it could be a match made in heaven. Ms. Lauffer stated that she had had two careers with the City, first as a social worker and later as a director of the Cousens fund, and had also worked with housing developers. She thought that affordable housing was the most important thing and that the Trust could benefit a lot from U-CHAN. Ms. Bernstein worked with the Newton Theater Company and that affordable housing was something that she had recently become passionate about. She had learned about it from U-CHAN and was interested in advocating for it as well. She would not have known that there was such a thing as a housing trust in Newton otherwise and thought that there could be lots of people interested in supporting the program if more information was available on it.

Ms. McNeil stated that she would like to help with publicizing the Trust and was interested in learning whether this is something that Trustees would like to see happen. Over the next months or so, U-CHAN planned to continue this conversation with the goal of holding an education forum for the fall. She stated that they would like Trust to be part of the planning process. Ms. Lipsitt stated that they were ready to move forward with this if the Trust was also ready to begin publicity and noted that there had been a lot of questions during the previous discussion about the Trust's priorities.

Ms. Houston agreed that Trustees had discussed that it would be great to have clearer priorities for what the Trust would like to fund. She noted that it was not that they would not fund other things but that they wanted to provide direction for future applicants. She explained that they were working with City staff and other housing advocates to determine what the top priorities were for

trusts in other communities and understood that developers liked to know what a community is really looking for. She thought that they were still in the process of doing this but personally liked the idea of an educational forum. She noted that the City has a rich group of citizen commissions that address housing needs including the Fair Housing Committee and Housing Partnership and thought that it would be a great thing to hear more from all of them in the fall.

Mr. Gambiza stated that he knows that the different committees do talk and thought that U-CHAN could have a panel with representatives from the different housing groups. He suggested that they could also create a white paper on that discussion and that this could continue to further the question of how the City's affordable housing programs move forward in concert. Mr. Sargent thought that the best audience to begin with could be U-CHAN's existing 60-70 members. He thought that this could be a great building block that could allow them to multiply the fastest. In terms of the developed guidelines, he noted that each member has different priorities as does the City. He did not want the Trust to come across as having an absolute mandate and wanted to recognize that the development situation will change with the economy and City's needs. He thought that the Trust needed to be nimble and that they could express their readiness for applications so long as the audience understood that no one set of guidelines would be permanent. Ms. Houston agreed and noted that just because a project was not on the top of the list did not mean it was not fundable. She noted that the State provided a list of what types of projects they were looking for but that this was not all that they would fund.

Ms. Bowman stated that she needed to leave the meeting but appreciated U-CHAN coming in and discussing the importance of affordable housing goals and criteria. She wished they had more funding available and thought that this discussion could be continued on the next agenda.

Ms. Weber noted that they could never have enough people supporting the Trust but that they were challenged at present by their limited resources and large demand. She noted that one of the initial challenges of funding affordable housing was that it was hard to secure funding and that the Trust was created to make that process easier. She thought that they needed to first work on ways to do that and to develop a set of priorities that are doable with the funds available. She thought that the more people working with the Trust on those goals the better. Ms. McNeil stated that she wanted to push back on holding off on publicizing the Trust. Her concern was that people did not know what the Trust was or why it was formed. While she agreed that it might be a good idea at some point to have all of the housing groups get together, at this time she was more concerned with where most people would get their basic information.

The Trust was asked if it could be an entry point for a better understanding of all of the housing entities. Ms. Weber noted that the actual funding for the Trust has been around as part of the CPC for many years and that while the Trust created a more expeditious funding process, the resource itself was not new. Mr. Heath thought of the Trust as essentially the bank for affordable housing and noted that the group also controlled the City's Inclusionary Zoning funds. Ms. Houston thought that the Trust should be helping to promote the development of affordable housing in the city but agreed that it is not the broad housing policy group that the Housing Partnership or Fair Housing Committee already are. Ms. McNeil thought that people knew the CPA funding process but did not know or understand the new Trust funding process.

Ms. Weber stated that what she had heard was the U-CHAN was ready to be a partner to help spread the word about the Trust and agreed that it was good to have that help. But to Ms. Houston's point, she agreed that the existing affordable housing universe in Newton needed to network with each other to create a cohesive message. She stated that she had heard two things in this discussion: 1) how much U-CHAN knows and would like to know about this process and 2) how much they would like to help the Trust to spread that information. Ms. Lipsitt stated that she heard clearly what those around the table were saying about the Trust being one part of a larger affordable housing community. She agreed that the best way to convey their message might be to do it in a broader context. Ms. Houston thought that if U-CHAN was about meeting the affordable housing needs of the community, one of the more important things they could do was to consider how they could bundle the City's resources for success. She noted that this could be achieved by working with the Housing Partnership and Fair Housing Committee, as well as by considering the proposed zoning changes. She suggested that they work together to find a way to develop a program in the fall. Mr. Heath urged them to attend the Village Center Rezoning discussion on June 26 and noted how these changes could be a big boost for affordability. He thought that the more voices that could be heard in terms of the increased affordability for this the better. Ms. Houston thanked the members of U-CHAN for coming in and meeting with the Committee.

Update on Village Center Rezoning Project

Ms. Houston noted that there was not time to discuss all of the other business but wanted to address one point. She explained that Scott Orrin has commented that the affordability bonus provided in the proposed rezoning would not have an impact. She explained that the Housing Partnership has worked with Mr. Korb to complete an analysis of its potential impact and feels that Mr. Orrin's perspective did not take into consideration what an affordable housing group or nonprofit would consider. The Partnership was redrafting a response and if the Trust could meet again before the next meeting in July, she would like to have them endorse this document as well. Ms. McNeil stated that in terms of affordability, she supported the construction of housing for very low and extremely low households. She noted that this housing was needed but she did not see a focus on its production outside of the Newton Housing Authority.

The meeting was adjourned by unanimous vote at 5:47P.M.

Items For Future Agendas

- Further Discussion of potential Fall Program
- Letter of Endorsement for Affordable Housing Bonus with Village Center Rezoning
- Further review of Warren House Project and scheduling of future site visit