

CITY OF NEWTON

IN BOARD OF ALDERMEN

FINANCE COMMITTEE AGENDA

MONDAY, APRIL 25, 2011

7 PM
Room 222

PLEASE BRING YOUR BUDGET AND CIP BOOKS

ITEMS TO BE DISCUSSED:

Reappointment Appointment by His Honor the Mayor:

#125-11 DORIS BREAY, 19 Blake Street, Newtonville, re-appointed as a Trustee of the Newton Cousens Fund for a term to expire on June 30, 2014 (60 days June 19, 2011). [04/11/11 @5:27 PM]

Reappointment Appointment by His Honor the Mayor:

#126-11 MARK DERBY, 1540 Commonwealth Avenue, West Newton, re-appointed as a Trustee of the Newton Cousens Fund for a term to expire on June 30, 2013 (60 days June 19, 2011). [04/11/11 @5:27 PM]

#127-11 HIS HONOR THE MAYOR requesting authorization to transfer the sum of six thousand dollars (\$6,000) from the FY2011 Budget Reserve to the Clerk of the Board's Office to supplement the advertising budget. [04/11/11 @5:59 PM]

#128-11 HIS HONOR THE MAYOR requesting authorization to transfer the sum of two thousand sixty-nine dollars and eighty-six cents (\$2069.86) from the Economic Development Grants Account to the Economic Development PC Software Account for the purchase of design software. [04/11/11 @6:02 PM]

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

#100-11 HIS HONOR THE MAYOR requesting authorization to transfer the sum of thirty thousand dollars (\$30,000) from the FY11 Budget Reserve Account to the Department of Veterans Services for the purpose of supplementing the FY11 budget for veterans' benefits. [03/28/11 @ 1:07 PM]

BUDGET & CIP DISCUSSIONS:

**Human Resources Department
Information Technology Department
Executive Department**

The location of this meeting is handicap accessible, and reasonable accommodations will be provided to persons requiring assistance. If you have a special accommodation need, please contact the Newton ADA Coordinator Kathleen Cahill, 617-796-1125, via email at KCahill@newtonma.gov or via TDD/TTY at (617) 796-1089 at least two days in advance of the meeting date.

REFERRED TO FINANCE AND APPROPRIATE COMMITTEES

- #129-11 HIS HONOR THE MAYOR submitting in accordance with Section 5-1 of the City of Newton Charter the FY12 Municipal/School Operating Budget passage of which shall be concurrent with the FY12-FY16 Capital Improvement Program (#311-10). [04-11-11 @5:59 PM]
EFFECTIVE DATE OF SUBMISSION: 04/20/10; LAST DATE TO PASS BUDGET 06/4/10

REFERRED TO FINANCE AND APPROPRIATE COMMITTEES

- #311-10 HIS HONOR THE MAYOR submitting the FY'12-FY'16 Capital Improvement Program, totaling \$174,246,135 pursuant to section 5-3 of the Newton City Charter and the FY'11 Supplemental Capital budget which require Board of Aldermen approval to finance new capital projects over the next several years. [10/18/10 @5:24PM]

REFERRED TO COMMITTEES ON COMMUNITY PRESERVATION & FINANCE

- #45-11 COMMUNITY PRESERVATION COMMITTEE recommending that the sum of \$665,500 be appropriated from the fiscal 2011 community housing and general reserves of the Community Preservation Fund, to the control of the Planning and Development Department, for a project that will create three units of perpetually affordable rental housing at 61 Pearl Street in Newton Corner as detailed in the Committee's funding recommendation to the Board of Aldermen. [01-27-11 @9:27am]

ITEMS NOT SCHEDULED FOR DISCUSSION:**REFERRED TO PROG & SERV, PUB. FAC. AND FINANCE COMMITTEES**

- #130-11 PAUL COLETTI, ALD. SANGIOLO, DANBERG, & JOHNSON requesting Home Rule Legislation to create a Capital Preservation Fund for the City of Newton modeled on the Community Preservation Fund to address the capital needs of the City. [04/11/11 @9:42 PM]

REFERRED PUBLIC FACILITIES AND FINANCE COMMITTEES

- #129-11(4) HIS HONOR THE MAYOR recommending the City of Newton Revised Ordinances 2007 be amended to establish a fee for the collection of "white goods," such as washing machines, dryers, water heaters, refrigerators, air conditions, computers, monitors, televisions, and printers and to further assign responsibility for pick-up and disposal of said white goods and collection of such fees to a third- party administrator. [04/11/11 @5:59 PM]

REFERRED PUBLIC FACILITIES AND FINANCE COMMITTEES

- #129-11(3) HIS HONOR THE MAYOR recommending that Section 29-67A of the City of Newton Revised Ordinances 2007 be amended to increase the fee for sewer clean-outs to more accurately reflect the City's cost of providing such a service. [04/11/11 @5:59 PM]

REFERRED PUBLIC FACILITIES AND FINANCE COMMITTEES

- #129-11(2) HIS HONOR THE MAYOR submitting recommended FY2012 Water and Sewer Rates for implementation on July 1, 2011. [04/11/11 @5:59 PM]

REFERRED TO COMMITTEES ON COMMUNITY PRESERVATION & FINANCE

- #103-11 COMMUNITY PRESERVATION COMMITTEE recommending that \$1,103,500 be appropriated from the fiscal 2011 housing & general reserves of the Community Preservation Fund to the control of the Director of Planning & Development, for a grant to create 4 units of affordable ownership housing in a mixed-income development at 112-116 Dedham Street, as detailed in the Committee's funding recommendation to the Board of Aldermen. [03-21-11 @ 8:48AM]

REFERRED TO ZONING AND PLANNING AND FINANCE COMMITTEES

- #102-11 ALD. HESS-MAHAN, JOHNSON, COMMISSIONER LOJEK, AND CANDACE HAVENS requesting an amendment to Chapter 17 to establish a fee for filing a notice of condo conversion. [03-29-11 @ 4:55PM]

REFERRED TO PUBLIC FACILITIES & FINANCE COMMITTEES

- #89-11 FINANCE COMMITTEE recommending that **Sec. 29-72(b) Same— Assessments upon owners of estates passed by new sewers.** of the City of Newton Rev Ordinances, 2007, be amended to increase the fixed uniform rates assessed upon owners of all estates passed by new sewers to rates that more accurately represent the estimated average cost of installing such sewers. [03-07-11 @9:30 AM]

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

- #60-11 HIS HONOR THE MAYOR requesting the budget for the Newton North High School construction project be amended by transferring funds from the owner's contingency line item to the construction manager at risk line item for the purpose of funding additional costs related to the demolition phase of the project. [02/10/11 @ 9:18 AM]

REFERRED TO PROG. AND SERVICES AND FINANCE COMMITTEES

- #373-10 ALD. GENTILE, HARNEY, SANGIOLO requesting amendment to §20-13, *Noise Control*, of the City of Newton Revised Ordinances to prohibit outdoor athletic events from starting before 7 AM and increase the maximum fine to \$300. [12-10-10 @ 12:53 PM]
PROGRAMS & SERVICES HELD on 02/09/11

REFERRED TO PROG & SERV, PUBLIC FACIL. AND FINANCE COMMITTEES

- #367-10 HIS HONOR THE MAYOR requesting authorization to appropriate an amount not to exceed five million dollars (\$5,000,000) from bonded indebtedness for the following:
(B) installation of up to six modular classrooms at five elementary schools as well as the addition of permanent classrooms and renovations to the core of F.A. Day Middle School. [11/29/10 @ 3:23 PM]

REFERRED TO PUBLIC SAFETY & TRANS. AND FINANCE COMMITTEES

- #363-10 ALD. ALBRIGHT & DANBERG proposing a trial of parking meter free Saturdays between Thanksgiving and New Year for the shopping areas to support shopping at local businesses in Newton. [11/15/10 @ 6:30 PM]

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

- #311-10(A) HIS HONOR THE MAYOR requesting an appropriation in the amount of three million three hundred thirty-five thousand dollars (\$3,035,000) from bonded indebtedness for the purpose of funding the FY 2011 Capital Improvement Plan projects as follows:
(A) Architectural Design and Engineering/Next Scheduled Fire Station \$400,000
A-2 - HELD \$270,000 for final design bidding and construction admin
[11/29/10 @ 3:23 PM]

REFERRED TO PUBLIC SAFETY & TRANS. AND FINANCE COMMITTEES

- #311-10(B) HIS HONOR THE MAYOR requesting an appropriation in the amount of three hundred thousand dollars (\$300,000) from bonded indebtedness for the purpose of funding the Manet Road Emergency Communications Radio Tower Replacement, which is included in the FY 2011 Capital Improvement Plan. [11/29/10 @ 3:23 PM]

PUBLIC SAFETY & TRANSPORTATION APPROVED 7-0 on 12/08/10

REFERRED TO PUBLIC FACILITIES, PROG&SERV AND FINANCE COMMITTEES

- #312-10 ALD. LENNON, LAPPIN, SCHNIPPER, SANGIOLO requesting a discussion with the School Committee on its plans to address space needs in the Newton public schools. [10-27-10 @ 11:07 AM]
- #259-10 COMPTROLLER transmitting Annual Financial Report for the audit of fiscal year ending June 30, 2010 for Board of Aldermen review/acceptance. [09/13/10 @ 12:26 PM]

REFERRED TO ZONING & PLANNING AND FINANCE COMMITTEES

- #391-09(2) ALD. DANBERG, MANSFIELD, VANCE & HESS-MAHAN requesting the establishment of a municipal parking mitigation fund whose proceeds, derived from payments-in-lieu of providing off-street parking spaces associated with special permits, will be used solely for expenses related to adding to the supply of municipal parking spaces, improving existing municipal parking spaces, or reducing the demand for parking spaces.

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

- #87-09 ALD. SANGIOLO, BRANDEL, FREEDMAN AND HESS-MAHAN requesting a Home Rule Petition to allow the City of Newton to require elected officials to contribute a higher percentage rate for health insurance benefits than is required for other employee groups. [03-10-09 @ 9:17 AM]
PROGRAM & SERVICES APPROVED 5-1-1 (Baker opposed; Merrill abstaining; Parker not voting) on 4/15/09
RECOMMITTED TO FINANCE ON 07/12/10

Item recommitted by full Board on 03/07/11:

REFERRED TO FINANCE AND PROGRAMS AND SERVICES COMMITTEES

#245-06 ALD. JOHNSON AND HESS-MAHAN requesting an amendment to the City Charter to require the Mayor annually to prepare and submit to the Board of Aldermen a long-term financial forecast of anticipated revenue, expenditures and the general financial condition of the City, including, but not limited to identification of any factors which will affect the financial condition of the City; projected revenue and expenditure trends; potential sources of new or expanded revenues; anticipated municipal needs likely to require major expenditures; and a strategic plan for meeting anticipated municipal needs, to include, but not be limited to, any long or short-term actions that may be taken to enhance the financial condition of the City.

Respectfully submitted,

Leonard J. Gentile, Chairman



SETTI D. WARREN
MAYOR

City of Newton, Massachusetts
Office of the Mayor

#125-11

Telephone
(617) 796-1100

Facsimile
(617) 796-1113

TDD/TTY
(617) 796-1089

E-mail
swarren@newtonma.gov

April 6, 2011

11 APR 11 P 5:21
CITY CLERK
NEWTON, MA. 02459

Honorable Board of Aldermen
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Ladies and Gentlemen:

I am pleased to reappoint Ms. Doris Breay of 19 Blake St., Newton, as trustee of the Horace Cousens Industrial Fund. Her term of office shall expire June 30, 2014 and her appointment is subject to your confirmation.

Thank you for your attention to this matter.

Very truly yours,

Setti D. Warren
Mayor

1000 Commonwealth Avenue Newton, Massachusetts 02459

www.newtonma.gov



DEDICATED TO COMMUNITY EXCELLENCE

Doris F. Breay
19 Blake Street
Newtonville, MA 02460
617-969-1744

Employment History

August 1995 – Current

The Heller School for Social Policy and Management, Brandeis University
Senior Assistant Dean, Student and Academic Affairs (2004 – Current)
Program Administrator, Sustainable International Development Master's Degree
Program (1995 – 2004)

1984 – 1993

Newton Public Schools, **Chapter 1 Aide** at Underwood and Lincoln-Eliot Schools

1970-1976

Boston Public Schools, **Second Grade Teacher**, Christopher Gibson and
Holland Elementary Schools

Community Activities

- Currently a trustee of the Horace Cousens Industrial Fund, Newton, MA
- Active in Newton Schools PTA's, Understanding Handicaps, and other Newton school programs, while my children were in the Newton schools
- Active in Congressional campaign committee (1980 – current)

Education

B.A. University of Massachusetts, Boston
M.Ed Leslie University, Cambridge

D.F.Breay
April 1, 2011

11 APR 11 P 5:27
CITY CLERK
NEWTON, MA 02459



SETTI D. WARREN
MAYOR

City of Newton, Massachusetts
Office of the Mayor

#126-11

Telephone
(617) 796-1100

Facsimile
(617) 796-1113

TDD/TTY
(617) 796-1089

E-mail
swarren@newtonma.gov

April 6, 2011

Honorable Board of Aldermen
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Ladies and Gentlemen:

I am pleased to reappoint Mr. Mark Derby of 1540 Commonwealth Ave., Newton, as trustee of the Horace Cousens Industrial Fund. His term of office shall expire June 30, 2013 and his appointment is subject to your confirmation.

Thank you for your attention to this matter.

Very truly yours,

Setti D. Warren
Mayor

11 APR 11 P 5:21
CITY CLERK
NEWTON, MA. 02159

1000 Commonwealth Avenue Newton, Massachusetts 02459

www.newtonma.gov



DEDICATED TO COMMUNITY EXCELLENCE

Mark A. Derby

1540 Commonwealth Avenue
Newton, MA 02465
617-964-2353 (h)
markderby@comcast.net

Derby & Company
7 Wells Avenue
Newton, MA 02459
617-527-0033 (o)

Mark is Chief Executive Officer of Derby & Company, Inc. a registered investment advisor with the SEC. In addition, Mark is a co-founder and the Chief Executive Officer of Derby Capital Management, LLC. Mark serves on the investment committee of Derby and Company, Inc. and is a portfolio manager that is responsible for managing the assets for primarily high net worth clients, trusts, and pension plans. Prior to working at Derby and Company, Mark founded and ran Mark Derby and Associates, a pension consulting firm.

Mark attained his BS from Union College and an MBA from Boston University. In addition, Mark has worked at the international accounting firm KPMG Peat Marwick in the audit department where he earned his CPA.

11 APR 11 P 5 27
CITY CLERK
NEWTON, MA 02459



Setti D. Warren
Mayor

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

#128-11
Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov

Candace Havens
Director

MEMORANDUM

APPROVED
[Signature]

TO: Mayor Setti D. Warren
FROM: Candace Havens, Director of Planning and Development
SUBJECT: Request for transfer of funds for purchase of software
Cc: Maureen Lemieux, CFO; Bob ~~Rooney~~ ^{RR}, COO

[Handwritten mark]

The visioning work for Needham Street that began with the MIT students' study will be continuing this spring, as Planning Staff holds additional community meetings to solicit additional input. Thereafter, staff will prepare a master plan for the Needham Street Corridor. In order to do this, design software is needed. This Adobe Design Studio software will not only be helpful in the master planning process, but also will be useful for preparation of reports to illustrate ideas and concepts addressed in Planning staff reports and other publications.

Sufficient funds are available in our Economic Development Budget for purchase of two licenses totaling \$2069.86. However, Board approval is required to transfer this amount from the grants account (5797) into the PC Software account (585121) to make this purchase. I respectfully ask for your support for docketing a request of the Finance Committee to consider this transfer.

From: Planning Expenses
011404-5797

2,069.86

To: Planning Capital Outlay
011404-585121

2069.86

[Handwritten signature]

11 APR 11 P 6:02
CITY CLERK
NEWTON, MA 02459



SETTI D. WARREN
MAYOR

City of Newton, Massachusetts
Office of the Mayor

#100-11

Telephone
(617) 796-1100

Telefax
(617) 796-1113

TDD
(617) 796-1089

E-mail
swarren@newtonma.gov

March 28, 2011

Honorable Board of Aldermen
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Board docket for consideration a request to transfer the sum of \$30,000.00 from the FY11 Budget Reserve Account to the Department of Veterans Services for Veterans Benefits.

Benefits in the amount of approximately \$71,000 have already been disbursed this fiscal year as compared to approximately \$41,000 disbursed at this point last year. As you know, this account has been on an upward trend over the past few years, with more veterans needing assistance. Please note, 75% of the annual benefits' disbursement will be reimbursed to the City by the Commonwealth of Massachusetts in the form of FY2012 Cherry Sheet Aid.

Thank you for your consideration of this matter.

Very truly yours,

Setti D. Warren
Mayor

Cc: Maureen Lemieux, Chief Financial Officer
John MacGillivray, Veterans Agent

11 MAR 28 P 1:07
CITY CLERK
NEWTON, MA 02459

From: BUDGET RESERVE 30,000
0110498-J790
To: VETERAN BENEFITS 30,000
0170301-J709
AW



City of Newton, Massachusetts
Community Preservation Committee



**DOCKET
ITEM NO.**

45-11

Setti D. Warren
Mayor

FUNDING RECOMMENDATION

date: 14 February 2011
 to: The Honorable Board of Aldermen
 from: Community Preservation Committee
 re: **for 61 PEARL STREET (community housing)**

PROJECT GOALS & ELIGIBILITY

This project will convert an 1870s building in Newton Corner from 4 rental units with a total of 5 bedrooms to 3 deed-restricted rental units with a total of 6 bedrooms. The 3 reconfigured units will be permanently affordable to households with 65 percent of area-wide median income, and the first-floor unit will meet the Massachusetts Architectural Access Board's Group 2B standard for wheelchair accessibility.

The interior scope of work includes but is not limited to: de-leading; adding insulation where feasible; integrating the rear two-floor addition into the main building to create 3 single-floor units; making the first-floor unit fully accessible; and reconfiguration, repairs, or partial replacement of wiring, plumbing, support piers, foundation sills, and water/sewer lines.

The exterior scope of work includes but is not limited to: repair and partial replacement of roofing; construction of a "cricket" to improve drainage between the roofs of the main building and rear addition; and adding wheelchair ramps on the first floor. The project will slightly reduce the site's impermeable area and will have no significant visual impact on the neighborhood or streetscape.

The project is eligible for funding under the Community Preservation Act as the creation of affordable housing. It satisfies the CPA's emphasis on using previously developed sites for affordable housing, as well as priorities set by Newton's *Comprehensive Plan, Community Preservation Priorities & Funding Guidelines*, and *Consolidated Plan for Housing & Community Development*.

RECOMMENDED FUNDING

On 19 January 2011 by a unanimous vote of 8-0 (member Steve Fauteux absent), the Community Preservation Committee recommended that **\$665,500** be appropriated to the control of the Director of Planning & Development for this project, including \$500 for a CPC-required site sign acknowledging support from Newton's Community Preservation Fund. All funds should be drawn first from the fy11 community housing reserve, then from the general reserve, and allocated 100% as community housing. The following summary budget is provided solely as background; a detailed budget is attached.

Sources		Uses	
City of Newton		Acquisition or mortgage reduction	\$ 780,000
federal housing funds (CDBG, HOME)	\$ 480,000	Construction (incl. 10% contingency)	\$ 354,949
Private foundations	\$ 50,000	General development/soft costs (incl. 5% contingency & relocation)	\$ 101,355
Bank loan	\$ 175,000	Replacement reserve	\$ 10,000
CP Funds	\$ 665,500	Site sign (required by CPC)	\$ 500
		Developer overhead/fee (approximately 10%)	\$ 123,696
TOTAL	\$ 1,370,500	TOTAL	\$ 1,370,500

SPECIAL ISSUES CONSIDERED by the CPC

Overall Cost & Location The perfect rehabilitation project for affordable housing would have: **1.** a building purchased at the lowest possible price, in **2.** a village-center location, served by public transit and within walking distance of schools, shopping, places of worship and workplaces; and that **3.** is well-insulated, has no lead paint, requires no or few repairs to meet building codes, and has a wheelchair-accessible first floor, or minimum-cost options for adding such accessibility.

Properties with this perfect combination of features are rare (or nonexistent) in Newton, but the property for this project has **1.**, **2.**, and as much or more of **3.** than most of Newton's small, historic, multi-family buildings. **1.:** The final purchase price for the property was supported by two appraisals. **2.:** The presentation made at the CPC's public mapped the property's proximity to many village-center amenities. Both appraisals and the presentation are available online (see attachments list). The paragraph below discusses issue **3.**

Special Costs: Relocation & Accessibility The requested public subsidy of \$381,667 per unit for this project is approximately 13% higher than Newton's previous per-unit maximum of \$337,500. The proposal does include \$20,800 for federally required relocation assistance to current tenants and \$111,319 of construction to provide a higher level of accessibility than is required by existing regulations. Excluding these costs, the requested subsidy per unit is about the same as the previous maximum (see attached table comparing recent projects).

Population Served The proposal's operating budget assumes initial occupation by households at 60% of area-wide median income, and after that by households at 65%. In practice, CAN-DO expects this project to serve households at 50% of median income, based on its own past success in finding tenants with housing vouchers (Section 8), which are available only to these lower-income households.

Economic Sustainability As with most projects developed by CAN-DO, the operating budget for this project allows the accumulation of only minimal cash reserves. The initial funding request therefore includes \$10,000 to capitalize a replacement reserve. To supplement such reserves, in the past CAN-DO has also requested and received federal housing funds through the City of Newton for major repairs or rehabilitation needed several years after initial project completion.

Developer Fee & Organizational Finances This project's budget includes a 10% developer fee. This is at the lower end of industry standards for small-scale, rental projects, but higher than CAN-DO has sometimes accepted in the past. Newton's Planning & Development Board has urged CAN-DO to include standard fees in all its development proposals to ensure the organization's viability. Financial information submitted for the P&D Board's December 2010 meeting, including operating budgets for CAN-DO as an organization and for all its rental properties, is online (see attachments list).

ADDITIONAL RECOMMENDATIONS

The Community Preservation Committee further recommends

- 1. Spending authority:** That all funds be appropriated to the spending authority of the Director of Planning and Development
- 2. Grant agreement:** That all funds be disbursed through a legally binding grant agreement, which includes but is not limited to:
 - ◆ pre-conditions for the initial release of funds, such as proof that all other funds needed to complete the project have been committed; construction contracts confirming that the committed funds are sufficient to complete the project; all required building permits; final approval and filing of the affordable housing deed restriction; and City approval of the project's affirmative marketing plan
 - ◆ procedures for the release of construction funds on a reimbursement basis only, and of funds for other project purposes, including the developer fee
 - ◆ requirements to assist in publicizing the project and to provide progress reports as requested by the Community Preservation Committee or Board of Aldermen
 - ◆ pre-conditions for releasing the final 10 percent of funds, including verified completion of construction & a final report/presentation on project costs & results to the CPC
- 3. Deadlines:** That all funds be spent within 18 months after they become available, or by any extension of that deadline granted in writing by the Director of Planning and Development

4. **Return of unspent funds:** That any CP funds not used for the purposes stated in the attached proposal or this recommendation be returned to the Newton Community Preservation Fund.

KEY OUTCOMES

The Community Preservation Committee will evaluate this project based on these key outcomes:

1. on-time, within-budget completion of the scope of construction described in the proposal and its attached supplemental information
2. initial occupancy within 2 months of completion, and continued occupancy in perpetuity, by households with up to 65% of the area-wide median income

ATTACHMENTS

(delivered to the clerks of the Committee on Community Preservation and Finance Committee)

<i>attachment</i>	<i>starts on page</i>
web page for 61 Pearl Street proposal, from www.newtonma.gov/cpa/projects.htm	1
Links to all major documents in chronological order, including most attachments below and the following additional long documents <i>not</i> attached here: <ul style="list-style-type: none"> ◆ appraisals ◆ purchase & sale agreement ◆ home inspector's report ◆ CAN-DO financials (incl. fy09 financial statements submitted with original proposal and current info. submitted for Planning & Development Board's Dec 2010 mtg) 	
attached documents from City bodies & City staff:	
◆ table comparing per-unit subsidies for recent Newton housing projects	2
◆ Newton Housing Partnership letter to the CPC	3
◆ City of Newton Housing staff memo to the CPC	5
◆ HOME consultant report (subsidy layering analysis)	11
attached documents from proposal sponsor:	
◆ original proposal, with support petition and photos	14
◆ updated development & operating budgets	38
◆ deed, as confirmation of purchase price & site control	41
◆ public hearing presentation, including updated photos, floor plans & neighborhood maps	43
◆ detailed scope of work, incl. statement about accessibility & highlighting of the project's "green" elements; final p. is a generic diagram of architectural "cricket" (will be used in this project to improve roof drainage)	63
attached documents from Newton citizens: emails & letters about the proposal (not posted online)	68
attached document from state government: first page of Massachusetts Architectural Access Board accessibility standards for multi-family buildings, from www.mass.gov/Eeops/docs/dps/aab_regs/521009.pdf .	73

Newton, Massachusetts Community Preservation Program

www.newtonma.gov/cpaClick on **Proposals & Projects**, then on project title.

61 Pearl Street Community Housing

location: 61 Pearl Street
Newton Corner, MA 02458

goals: Create 3 units of permanently affordable rental housing, each with 2 bedrooms, for households at up to 50 percent of area-wide median income, in a building that dates to approximately 1870. The first-floor unit will be fully accessible.

<i>total funding:</i>	\$665,000	<i>CP funds requested</i> (community housing)
	\$190,684	<i>CDBG (Community Development Block Grant federal funds, incl. de-leading)</i>
	\$289,316	<i>HOME (federal funds)</i>
	\$175,000	<i>Private bank acquisition loan (final mortgage after reduction by federal & CP funds)</i>
	\$50,000	<i>Foundation grants</i>
	<hr/>	
	\$1,370,000	<i>TOTAL PROJECT COST</i>

contacts: Josephine McNeill, Executive Director
Citizens for Affordable Housing in Newton
Development Organization (CAN-DO)
1075 Washington St.
West Newton, MA 02465
email: jam_cando@msn.com
phone: 617.964.3527
website: www.newtoncando.org

PROPOSAL REVIEW & APPROPRIATIONS

- 15 October 2010 [proposal & financial information](#)
(incl. project development & operating budgets, financing commitments, sponsor mission statement & annual budget)
- 15 October 2010 [proposal attachments](#)
(incl. community need & outreach, option to purchase, site & floor plans, fair housing & accessibility)
- 15 October 2010 [property photos](#) from real estate website
- 15 October 2010 [sponsor's 2009 audited financial statement](#)
- 15 October 2010 [sponsor's mission & past projects](#)

updates & additions to original proposal

- 14 October 2010 [home inspector's report](#) (long document, may be slow to load)
- 5 November 2010 [purchase & sale agreement](#) (long document, may be slow to load)
- 23 November 2010 [bank appraisal](#) (long document, may be slow to load)
- 1 December 2010 [community support petition](#)
- 6 December 2010 [sponsor's organizational finances](#)
(regular quarterly report to Newton Planning & Development Board)
- 15 December 2010 public hearing [presentation](#), including:
photos, updated site & floor plans and budget summaries
(long file, may be slow to load)
- 27 December 2010 [revised development & operating budgets](#)
- 27 December 2010 [independent appraisal](#) required for federal funding (long document, may be slow to load)
- 28 December 2010 [scope of work](#) for proposed construction, highlighting "green" elements
- 28 December 2010 [Newton Housing Partnership recommendation](#)
- 29 December 2010 [independent project budget analysis](#) required for federal funding
- 7 January 2011 City of Newton [Housing Staff memo](#)
- 7 January 2011 [deed](#) (confirming ownership by CAN-DO)

COMMUNITY HOUSING in NEWTON, Massachusetts
Public Funding of Recent Projects

Project	Address	Total Units	Affordable		Total Project Funding & Cost			Per Affordable Unit		
			Units	Bed-rooms	CP funds	Total Newton Public Funds	Total Development Cost	CP funds	Total Newton Public Funds	Total Development Cost
61 Pearl Street	61 Pearl Street	3	3	6	\$665,000	\$1,145,000	\$1,370,000	\$221,667	\$381,667	\$456,667
Past CAN-DO Projects (▶ = included some new construction, otherwise all rehab)										
Veteran House	2148- Commonwealth Avenue	2	2	5	\$375,000	\$675,000	\$950,000	\$180,000	\$337,500	\$475,000
Falmouth Road	20-22 Falmouth Road	2	2	5	\$275,000	\$651,202	\$1,178,933	\$137,500	\$325,601	\$589,467
Jackson Road	163 Jackson Road	2	2	5	\$275,000	\$650,317	\$1,178,048	\$137,500	\$325,159	\$589,024
Cambria Road (11-13)	11-13 Cambria Road	2	2	5	\$351,025	\$631,025	\$610,500	\$175,513	\$315,513	\$305,250
▶ Linden Green	248 Elliot Street	5	3	6	\$618,600	\$912,940	\$2,261,394	\$206,200	\$304,313	\$753,798
▶ Millhouse Commons	1101 Chestnut Street	6	4	10	\$738,383	\$1,130,566	\$3,922,000	\$184,596	\$282,642	\$980,500
Cambria Road (18-20)	18-20 Cambria Road	2	2	6	\$200,000	\$532,461	\$922,461	\$100,000	\$266,231	\$461,231
Other Past Projects (▼ = all-new construction, ▲ = group home / congregate living facility)										
Forté Property (Dolan Pond) \$300,000 of Habitat for Humanity donations & sweat equity incl. in costs, not counted as subsidy	76 Webster Park	3	3	10	\$991,010	\$991,010	\$1,291,010	\$330,337	\$330,337	\$430,337
▼ Parkview Homes	192 Lexington Street	10	10	30	\$2,046,000	\$3,086,727	\$5,322,027	\$204,600	\$308,673	\$532,203
Wyman Street	52-54 Wyman Street	10	10	20	\$1,000,000	\$2,567,995	\$3,567,995	\$100,000	\$256,800	\$356,800
▲ Pelham House	45 Pelham Street	10	10	10	\$311,936	\$1,748,593	\$2,841,460	\$31,194	\$174,859	\$284,146
West Street	19 West Street	5	5	5	\$263,000	\$600,000	\$676,400	\$52,600	\$120,000	\$135,280
Covenant Residences	27-35 Commonwealth Avenue	44	11	17	\$907,825	\$907,825	\$17,430,711	\$82,530	\$82,530	\$1,584,610
▼ ▲ Nonantum Village Place	239 Watertown Street	34	34	34	\$850,000	\$1,712,000	\$6,213,100	\$25,000	\$50,353	\$182,738

NEWTON HOUSING PARTNERSHIP

Newton Housing & Community Development Program
Newton City Hall, 1000 Commonwealth Avenue, Newton, MA 02459.
Phone 617-796-1120. TDD/TTY 617-796-7089

December 28, 2010

Newton Community Preservation Committee
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Re: Request for funds for 61 Pearl Street

Dear Community Preservation Committee members:

At the Newton Housing Partnership meeting on November 10, 2010 the eight eligible members present unanimously agreed to support the request by Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO) for \$665,000 in Community Preservation Act (CPA) funding for the development related to the rehabilitation and rental of three units of affordable housing at 61 Pearl Street, one of which units will be fully accessible. In addition, the developer is asking for \$289,316.42 in HOME Investment Partnership (HOME) funds, and \$190,683.58 in Community Development Block Grant (CDBG) funds, which includes an \$80,000 CDBG lead paint grant.

The Partnership's Project Review Committee and then the full Partnership have reviewed and discussed the proposal with the developer prior to this action. We support and endorse the developer's concept of providing 100% affordability (all three units to be priced for rental to households that are income-eligible for high HOME rent levels) in a well-located existing building to be renovated, and providing full accessibility for one of the three units.

The Partnership recognized that the proposal addresses a number of City priorities:

- The critical need for additional affordable housing, especially for rentals priced well below the 80% of Area Median Income (AMI) level, which is identified as a priority in the 2011 – 2015 *Consolidated Plan*;
- The need for accessible affordable units, which, in this case is being proposed consistent with the City's new "Accessibility in Affordable Housing" policy guidance, although doing so is not required;
- Utilizing existing housing stock in addressing the City's housing needs while maintaining neighborhood character, preserving historic fabric, and improving energy performance by avoiding demolition and improving the efficiency of energy use in the existing structure.

Community Preservation Committee
December 28, 2010
Page 2

The Partnership acknowledged the need for public funding, and supports the use of Newton Community Preservation Act funds and other City resources such as HOME and CDBG funds as needed to support this worthwhile project.

The financial information relied upon by the Partnership in reaching its recommendations is detailed in the spreadsheet titled "Pearl Street Development Proforma" revised November 5, 2010 and the spreadsheet titled "61 Pearl St. Operating Budget," (Scenario 2) also revised November 5, 2010. Our understanding of the building proposal relied upon a set of five sheets of drawings dated 10.25.2010 and a one-page memo "Housing Renovation Project Summary," both by the project Architect and provided at the November 10th meeting.

Further, our recommendation reflects the clarification made at the November 10th meeting that the City's deed restriction would limit income eligibility of all tenants initially to 60% of the area median income (and up to 65% of the area median income, upon initial turnover), which is the level for which high HOME monthly rents are set, assuaging any concerns regarding future federal funding for Section 8. Currently that monthly rent level is \$1,321 or \$1,176 net of utilities. The recommendation also reflects our understanding that the project will proceed only upon the lender finding the "as completed" appraisal to be satisfactory.

If there are further questions for the Partnership please let me know.

Very truly yours,



Philip B. Herr, Chairman

Cc: Josephine McNeil, Executive Director, CAN-DO
Trisha Guditz, Housing Development Coordinator
Robert Muollo, Housing Planner

**CITY OF NEWTON, MASSACHUSETTS**

Department of Planning and Development

Setti D. Warren
Mayor

Date: January 7, 2011

To: Community Preservation Committee

From: Trisha Kenyon Guditz, Housing Program Manager
Robert Muollo, Jr., Housing Planner

Cc: Alice Ingerson, Community Preservation Program Manager
Amy Yuhasz, Associate Director for Housing and Community Development
Candace Havens, Planning Director

Re: Analysis of proposed community housing project at 61 Pearl Street. Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO) is the project sponsor.

Project description

Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO) is requesting a total of \$480,000 in federal funds (\$190,683.58 in FY11 CDBG funds and \$289,316.42 in FY10 and FY11 HOME Program funds) and \$665,000 in Community Preservation funds to buy down a first mortgage and to delead a multi-family property located at 61 Pearl Street in Newton Corner.

The property consists of a 2 ½-story building that was constructed in the early 1870s and an attached 1½-story rear addition constructed prior to 1874. The main building and addition currently include three one-bedroom and one two-bedroom rental units (three units in the main building and one unit in the rear addition). The units are currently occupied and the estimated cost of relocation of the existing tenants is built into the development budget.

The proposed project will provide three two-bedroom rental units to tenants whose gross annual household income cannot exceed 60% upon initial lease-up and 65% of area median income thereafter. (For a four-person household 65% of area median income is \$59,670.) Rents are restricted to the High HOME rent which is \$1,321 for two-bedroom units. At the recommendation of the Planning and Development Board, tenants will pay for their own gas/electricity. As a result, a utility allowance of \$145 is required to be deducted from the High HOME rent, which will result in a net tenant rent of \$1,176 (\$1,321 - \$145) for all three units.

The proposed project includes reconfiguring the main house and addition:

The ground floor unit (Unit #1) will be accessible to individuals with mobility impairments and will have front and rear entry and exit ramps. Currently, the kitchen/dining and living room of the rear unit (existing Unit #4) are on the ground floor and abut Unit #1. The proposed ground floor plan converts the Unit #4 ground floor space into a bedroom, bathroom and closet for Unit #1. Unit #1 is 1,572 s/f which includes 352 s/f for the two ramps.

The proposed second floor (Unit #2) will be reconfigured to include the bedroom of the existing Unit #4 unit (the rear unit). Unit #2 is 1,318 s/f which includes 100 s/f of covered deck.

The proposed third unit (Unit #3) will be located in the addition and is 1,021 s/f including 118 s/f of covered deck.

The project site has six existing parking spaces. Under the zoning ordinance, two parking spaces per unit are required. The two parking spaces for the first floor unit will accommodate a van and include a standard accessible space as well.

The total development cost is \$1,370,000. In addition to the requested CDBG and HOME funds, the other proposed sources of funding include \$665,000 in Community Preservation Funds, \$50,000 from a private foundation(s) and a \$175,000 first mortgage (after the \$605,000 take out in CDBG, HOME and CPA funds). The total public subsidy requested is \$1,145,000 or \$381,667/unit.

The cost of acquisition is \$780,000 and CAN-DO has a signed Purchase and Sale Agreement dated November 5, 2010. (The original asking price was \$899,000.) Prior to approval of federal funds the City has reviewed arm's length as-is property appraisals from both Cambridge Savings Bank (the lender) and an independent appraiser hired by the City. Each appraisal has concluded that the as-is value of the property is \$780,000. Cambridge Savings Bank has offered a 10-year mortgage at 4% for the first five years with an adjustment in years 6-10 with an interest rate floor of 4 percent and capped at 5 percent. The first two years of the loan are interest-only. CAN-DO has purchased the property with acquisition financing from Cambridge Savings Bank.

Based on the development pro forma dated November 5, 2010, the estimated cost of construction including a 10% contingency is \$354,948, which is based on an extensive home inspection report by Paul Cornell and Associates. The full report can be found at www.newtonma.gov/cpa/projects.htm. The project sponsor should confirm that the budget will include a contingency at 10%, as the scope of work document dated December 20th, assumes a construction contingency of 15%.

The proposed project meets needs identified in the *Consolidated Plan* for providing rental housing for low-income households and increasing the City's inventory of accessible affordable units.

HOME requirements

All three units in the project will be designated as HOME-assisted and subject to HOME Program regulations. CAN-DO will be acting in its capacity as a Community Housing Development Organization (CHDO) in the form of project developer and owner.

CAN-DO's request of CDBG funds for mortgage debt reduction and rehabilitation/deleading as well as HOME funds for mortgage debt reduction are eligible activities under the HOME and CDBG programs.

Maximum HOME subsidy limits

The HOME subsidy per unit is \$96,438.81, which is below HUD's maximum per unit subsidy limit for two-bedroom units (\$187,196.00).

Affordability period

The HOME Program requires an affordability period of 15 years. However, the City will request that these units be affordable in perpetuity through execution of a rental Regulatory Agreement between the City, CAN-DO, Inc. and the MA Department of Housing and Community Development. The affordability period will be enforced by a deed restriction running with the land.

Income targeting and rent

Per HOME regulations, at initial lease up the HOME-assisted units must be rented to households whose income does not exceed 60 percent of area median income. The initial income targeting requirement does not apply throughout the affordability period, and households earning up to 65 percent of area median income will be eligible to rent the units thereafter.

Using the City's Affordable Rent Policy threshold, which states that rent (not including utilities) cannot exceed 35 percent of monthly adjusted household income, the current rent (\$1,176) would be affordable to three-person households earning no less than 49 percent of area median income and four-person households earning no less than 44 percent of area median income. The analysis accounts only for households without Section 8 Vouchers.

Income determination

CAN-DO must income-certify tenant eligibility upon initial rent-up and then on an annual basis using the "Part 5 Definition" methodology (formerly referred to as the "Section 8" definition of income.)

Property and labor standards

Prior to occupancy, the property must meet the City's policy for minimum property standards for rehabilitation as well as local and state code. On-site inspections by the City will be conducted once every three years. CAN-DO has stated that the proposed rehabilitation work will address structural, mechanical and code-related deficiencies (refer to Housing Renovation Project Summary, dated December 20, 2010). Modifications and additions to the heating system and added insulation are included energy efficiency improvements. Sustainable building materials will also be used, where possible (refer to Sustainable Materials/Systems Summary, undated). The prevailing wages of the Davis-Bacon and related labor acts do not apply to this project.

Total development cost and per unit subsidy comparison

For comparative purposes, the table below shows the total development costs and total public subsidy per unit of rental and ownership projects with similar affordable units and scope over the past five years.

Project Address/ Sponsor/Year	Project Type and Scope	# of Affordable Units	Total Development Cost	Total Public Subsidy/Unit*
Rental Projects				
61 Pearl Street CAN-DO 2010	Rental - Acquisition and Rehab	3	\$1,370,000	\$381,667
2148-50 Commonwealth Ave. CAN-DO 2009	Rental - Acquisition and Rehab	2	\$950,000	\$337,500
3 scattered site units Advocates, Inc. 2007	Rental - Acquisition Only	3	\$830,648	\$138,441
11-13 Cambria Road CAN-DO 2006	Rental - Acquisition and Rehab	2	\$1,437,511	\$315,512
20-22 Falmouth Street CAN-DO 2005	Rental - Acquisition and Rehab	2	\$1,178,933	\$325,601
163 Jackson Road CAN-DO 2005	Rental - Acquisition and Rehab	2	\$1,178,048	\$325,158

Project Address/ Sponsor/Year	Project Type and Scope	# of Affordable Units	Total Development Cost	Total Public Subsidy/Unit*
Rental Projects				
19 West Street Advocates, Inc. 2004	Rental - Acquisition and Rehab	2	\$676,400	\$300,000
Ownership Projects				
248 Elliot Street CAN-DO 2004	Ownership - Acquisition, Rehab and New Construction	3	\$2,279,415	\$304,313
1101 Chestnut Street CAN-DO 2006	Ownership - Acquisition and New Construction	2	\$3,680,926	\$282,641

*Includes HOME, CDBG and CPA public subsidy grants and loans

Financial feasibility

The feasibility analysis is based on the development pro forma dated November 5, 2010 and revised 10-year operating budget, dated December 8, 2010. The forthcoming analysis draws from underwriting guidance from HUD, industry standards where available, and the results of the final subsidy layering analysis conducted by the City's independent HOME consultant, dated November 16, 2010 and updated December 29, 2010 (attached to this memo). Particular items to note are identified below:

The developer fee represents 10 percent of the total project hard and soft costs. A comparison of developer fees from past rental projects shows this fee to be on the higher end of the comparative range. The range included relatively low developer fees for similar projects (6 and 4 percent, for example). The developer fee is consistent with the state's allowable 10 percent for comprehensive permit rental projects and less than the Federal Home Loan Bank's 12.5 percent cap, and HUD's safe harbor for project-based subsidy rental projects which is 12 percent.

The 10-year operating budget's trending of revenue and expenses (3 percent and 4 percent, respectively) was recommended by the Housing Partnership and falls between the conservative trend required by the City's One-Stop Application for local and federal funds (3 percent and 5 percent), and the HOME consultant's observation of recent market trends of 2 percent for revenue and 2.5 percent for expenses. With current revenue and expense amounts for the operating budget, the threshold at which the project could not maintain debt service for the full 10-year term would be an annual rate of increase in expenses of 4.5 percent and an annual increase in income remained at the current 3 percent.

As the HOME Consultant's analysis points out, the terms of the Cambridge Savings Bank loan are attractive and the commitment letter confirms that the first interest rate adjustment is capped at 5 percent. It is unclear if any bank fees would be charged beyond typical closing costs and whether the development pro forma has budgeted for these potential expenses.

As previously stated, rental income will be governed by the High HOME Rent, less a utility allowance. It is important to note that High HOME rent and utility allowances are subject to change annually. Therefore, it is possible that the utility allowance could increase more than the High HOME rent in that same year, which would require the project to lower the rent it charges tenants.

Operating replacement reserve amounts per unit (\$500/unit) is between the conservative amount of \$700 recommended by HUD and \$300 to \$350/unit as referenced by the HOME consultant's analysis. The Housing Renovation Project Summary (undated) notes that after project completion, major

maintenance should be deferred for the near future, with most maintenance expected for the exterior property such as ramp and deck surface treatment, gutter cleaning and landscaping work.

Overall, the project assumptions are reasonable. It should be noted that long-term project viability may be most dependent upon future utility allowances not increasing at a higher rate than future High HOME rents. These changes would lower tenant rents.

Relocation

The project must meet Uniform Relocation Act requirements due to the proposed provision of federal funds. Relocation funds are included in the cost of development and are based on the following calculation:

\$100 rent differential (Difference between current rents and a market rent which is estimated to be \$1400 for a two-bedroom unit) x 4 units x 42 months (maximum allowable time to provide assistance) = \$16,000 (\$4,000/unit for rent payments) + \$4,000 (\$1,000/unit moving expenses) = **\$20,800**

The existing tenants appear to be paying below market rate rents but higher than the High HOME rent. Tenants in the one-bedroom units pay between \$1,150 and \$1,200/month not including utilities. The tenant in the two-bedroom unit pays \$1,400/month not including utilities. A quick examination of current market rents in Newton shows the availability of one-bedroom units for \$1,250/month and two-bedroom units at \$1,450/month not including utilities.

Architectural accessibility

The proposed project includes one first floor unit that is accessible to people with mobility impairments and will be designed and constructed to be in compliance with MA Architectural Access Board and regulations at 521 CMR. The unit will also have a front and rear entry and exit ramps. Only one ramp is required under code. The project is not required to be accessible under either state or federal fair housing requirements. However, the provision of an accessible unit meets needs identified in the FY11-15 Consolidated Plan and the recent policy guidance from the Mayor's Affordability and Accessibility Working Group. The estimated cost to only rehabilitate Unit #1 is \$42,750. The project architect estimates that it requires an additional \$111,319 to make the unit accessible. The funds required to make the unit accessible are slightly more than 10 percent of the total public subsidy requested.

Fair housing

HOME rental projects require submittal of a tenant selection, tenant participation and affirmative marketing plan to the Planning and Development Department for review and approval. Certain marketing requirements and selection procedures also need to be followed when the accessible unit is marketed initially and upon turnover, regardless of waitlist status. CAN-DO's reasonable accommodation and modification policy has already been approved by the Department.

Summary of principle aspects of the project

Meeting objectives identified in the Consolidated Plan

The proposed project meets two chief objectives identified in the recent Consolidated Plan: the development of affordable rental housing for low-income households and increasing the City's supply of affordable accessible housing. Although the rents are based on what households at 65% of area median income can afford, CAN-DO is assuming the availability of Section 8 vouchers which are limited to households at or below 50% of area median income.

The provision of an accessible unit and associated cost

Providing a unit that is accessible to a person with mobility impairment is not required under state or federal law. The provision of an accessible unit, particularly where it is not required, is a significant benefit of this project. The *additional cost* to provide an accessible unit is estimated to be \$111,319. The financial implication of providing accessibility needs to be taken into consideration since it increases the public subsidy per unit cost by an additional 10 percent to \$381,667.

Reducing existing rental units vs. units deed restricted in perpetuity

The existing building is providing slightly below market rate rental housing to four tenant households. CAN-DO's project will reduce the number of units to three but the units will be deed restricted in perpetuity and the City will complete the paperwork to have the units listed on the state's Subsidized Housing Inventory, which counts the City's 10 percent threshold under Chapter 40B.

Assumptions regarding rental income

CAN-DO will not be relying on the availability of Section 8 vouchers, although households with rental subsidies will not be turned away. Irrespective of whether a tenant has a Section 8 voucher, the rent CAN-DO may charge is still limited to the High HOME rent, less a \$145 utility allowance (tenants will pay their own gas/electricity, as recommended by the Planning and Development Board) is \$1,176.

The difference, therefore, between the High HOME (\$1,321) and Newton exception rent exclusive of utilities (\$1,466) for a two-bedroom unit is \$145. This comparison is provided since CAN-DO's operating income for past rental projects is based on Newton exception rents, not High HOME rents.

Summary

CAN-DO has submitted a proposal that meets two significant needs articulated by the City in its Consolidated Plan. In addition, the feasibility of the project is dependent on certain presumptions that require evaluation and concurrence. Staff believes that the primary elements of the project have been identified in this memo and that a judicious determination can subsequently be made.

FINAL Subsidy Layering Review

61 Pearl Street, Newton, MA

MetroWest HOME Consortium subsidy: \$400,000 – 3 HOME units (all 3 high HOME)

Performed by: Daniel R. Gaulin, subcontractor to FinePoint Associates

November 16, 2010 Updated December 29, 2010

On November 16, 2010, I reviewed the project summary and proforma forwarded by Robert Muollo of the Newton Planning and Development Department. Mr. Muollo subsequently forwarded an appraisal, relocation plan, bank commitment letter, scope of work with preliminary estimate and updated proformas on December 28, 2010.

Executive Summary

Based on the information submitted, the project has been well-conceived by its developer and it is compliant with the underwriting guidelines of the U.S. Department of HUD and the local Subsidy Layering Review adopted by the WestMetro Consortium.

Project Description

The project will consist of the purchase of an occupied 4-unit building and the renovation and reconfiguration of this building into 3 2-BR rental units, one of which will be handicapped accessible. The project will require relocation and \$20,800 has been budgeted for this expense. The project developer provided Newton Planning and Development with an itemized budget and it appears that the budget will be adequate. All three units will be high HOME units and will be rented to HOME-eligible tenants at the high HOME rent.

Sources and Uses

The total development cost is projected to be \$1,370,000 (\$456,667/unit), which includes a \$10,000 replacement reserve. The project sources are also projected to be \$1,370,000. The sources and uses detailed all financing and all project costs. The overall cost is within the range that is seen for preservation projects in strong market locations.

Notes on Sources

The proforma indicates that there will be \$175,000 of bank financing and \$50,000 of private foundation support. The developer has provided a commitment letter issued by Cambridge Savings Bank which confirms the details of the loan shown on the proforma. The key terms are an initial 4% interest rate which could adjust as high as 5% after the initial 5 year period at 4%. The proforma has accounted for this change and demonstrates that under reasonable assumptions, the project cash flow can absorb the potential for a 5% interest rate. The remainder of the funds are within the control of the City of Newton or the WestMetro HOME Consortium.

Notes on Uses

The single biggest cost is the acquisition cost. The acquisition cost was documented by a copy of a Purchase and Sale Agreement that was signed on November 5, 2010. The price is \$780,000. The City of Newton commissioned an as-is appraisal that was performed by Shepherd Associates; the as-is value as of December 17, 2010 is \$780,000.

The project summary contained a description of the work and an estimate of the costs. The description and estimate were prepared by the project's architect.

The soft costs are consistent with what I saw during my nine-year career at DHCD reviewing HOME, HSF and tax credit developments.

The developer fee and overhead is projected at \$123,696 or 10% of all other project costs. It is a reasonable fee for a project of this size, complexity and risk. Moreover, to the extent that the fee is at risk, it provides the bank and the City of Newton a bit of a cushion against cost overruns.

Income and Expenses

All income is noted on the submitted operating proforma; note that there are no pay laundry facilities, no commercial units and parking is free. The projected rents are within the HOME limits assuming that the utility allowance for tenant-paid gas heat, gas cooking and unit electricity does not exceed \$145/month.

The projections for income and expense inflation are higher than the experience of the recent past. Rather than a 3% increase in income, the developer should consider running the numbers at 2% and rather than 4% for the expenses, 2.5% is more in line with recent expense inflation. However, revision of these underwriting assumptions does not change the overall projection that this is a financially feasible project. The vacancy rate assumption is reasonable: 5%.

The management fee is 7% of gross income, which is reasonable for a small building. If the projections are based on the current owner's actual bills, it would be helpful to have copies of recent insurance, utility and tax bills in the file. The replacement reserve at \$500/unit is appropriately higher than on larger projects (\$300-350/unit) since this is a moderate rehabilitation of an occupied building. With regard to real estate taxes, to the extent that the building's assessment is a function of its income, the reconfiguration to 3 units and the imposition of HOME limits will likely result in less future income; hence a lower value for the building. The developer may be able to file for a reduction in assessment which in turn will result in lower real estate bills.

The proforma shows that the bank loan has an interest rate of 4% for the first 6 years and a rate of 5% thereafter. These terms are attractive, and the commitment letter confirms that the first adjustment is capped at 5%.

Cash Flow - Return on Equity

The projected initial cash flow is \$2,584 per year. In order to derive a total return to the developer on this project, the net present value of the cash flows must be calculated and added to the developer fee and overhead. In this case the net present value of 20 years of \$2,584 annual returns at a 9% discount rate (this discount rate is in line with the higher risk associated with a small rental development), results in an additional \$23,588, which, when added to the fee taken during the development period of \$123,696 results in an overall fee of \$147,284 or a still reasonable 11.9%.

**CITY of NEWTON HOUSING PROJECT APPLICATION
for CPA, HOME and CDBG FUNDS**

PRIMARY APPLICANT

Contact (Name, mail & email address, daytime phone & fax):

Josephine McNeil 617-964-3527
1075 Washington Street 617-964-3593
West Newton, MA 02465 jam_cando@msn.com

Organization, if applicable: CAN-DO

PROJECT MANAGER Individual who will manage the project and provide updates on progress & expenditure of City funds.

Contact (Name, mail & email address, daytime phone & fax):

SAME AS ABOVE

Organization, if applicable:

Role (Co-applicant, owner, developer, other): DEVELOPER/OWNER

PROJECT TITLE PEARL STREET

PROJECT ADDRESS 61 PEARL STREET
NEWTON, MA 02458

BUDGET SUMMARY	Total project	Total City funds
	cost: \$1,370,000	requested: \$1,145,000

PROJECT SUMMARY Summarize proposed project: Identify rental or homeownership; no. of affordable/market-rate units & no. of bedrooms per unit; income level(s); special populations served, if applicable; accessibility barriers, if any; special features (support services, sustainability or energy conservation, historic preservation, etc.).

61 Pearl Street is presently a two and three story, multi-family dwelling of 4 living units. The ground floor accesses a foyer for entry to a single story one bedroom unit, and a stairway that accesses the two upper units; a separate entry for an attached two story one bedroom apartment is at the rear of the property. The second and a third floor units, above the single bedroom first level unit are one bedroom and two bedroom units respectively. The building is wood frame, mansard and hipped roofed, and constructed in the 1870s. The site is level and provides easy pedestrian and vehicular access within planting and lawn areas. It is immediately adjacent to a small public park.

The proposed renovations would repartition the existing four units into three two bedroom units. This would combine the first floor living area of the separately entered two story unit with the existing one bedroom ground level apartment. This unit would be renovated as a fully accessible unit with entry and exit ramps, accessible kitchen/bath/closets, two bedrooms, and would meet all other current accessibility requirements. The second level of the existing two story unit would be combined with the existing second floor one bedroom unit to provide a two bedroom/one bath living unit. The third floor two bedroom unit would remain, and would receive minor renovation work required by code or providing energy improvements. New exit doors, fire shutters, roofing, attic and basement insulation, on site vehicle paving, site landscaping/fencing, and structural and mechanical improvements will be included in the scope of the project.

CITY of NEWTON HOUSING PROJECT APPLICATION for CPA, HOME and CDBG FUNDS

p. 2

1. SOURCES OF FUNDS <i>Check all that apply and identify if funds are committed or proposed.</i>						
X CDBG		\$130,000				
xHOME		\$350,000				
xCommunity Preservation Fund		\$665,000				
xPrivate bank loan		\$175,000				
<input type="checkbox"/> Sales revenue		\$				
xOther (identify source) Foundations		\$50,000				
<input type="checkbox"/> Other (identify source)		\$				
<input type="checkbox"/> Other (identify source)		\$				
<input type="checkbox"/> Other (identify source)		\$				
2. USES OF FUNDS <i>Check all that apply.</i>						
xAcquisition		xRehabilitation		<input type="checkbox"/> New construction		xMortgage buydown
<i>Categories below apply only to CPA funds -- please consult staff.</i>						<input type="checkbox"/> Site preparation/ remediation
xCreation		<input type="checkbox"/> Preservation		<input type="checkbox"/> Support		
3. TARGETED POPULATION <i>Check all that apply.</i>						
X Individual/Family		<input type="checkbox"/> Elderly		<input type="checkbox"/> Homeless/At Risk of Homelessness		
<input type="checkbox"/> Housing with support services (identify service providers):						
<input type="checkbox"/> Special needs (identify population):						
<input type="checkbox"/> Other (identify population):						
4. TYPE OF HOUSING <i>Check all that apply.</i>						
Homeownership				Rental		
<input type="checkbox"/> Single family				X Individual/family		
<input type="checkbox"/> Condominium(s)				<input type="checkbox"/> Group residence, congregate		
<input type="checkbox"/> Cooperative (s)				<input type="checkbox"/> Other (identify)		
5. UNIT COMPOSITION <i>List number of units in each category.</i>						
	Total	≤ 30% AMI	≤ 50% AMI	≤ 80% AMI	Between 80-100% AMI	Market rate
SRO						
1 BR						
2 BR			3			
3 BR						
4 BR/+						

Form last revised 20 September 2010

2B

CAN-DO Operating Budget, FY 2010**INCOME:**

CHDO GRANT	\$	13,000
CONTRIBUTIONS/FUNDRAISING	\$	120,000
DEVELOPMENT FEES	\$	100,000
MANAGEMENT FEES	\$	19,000
GRANTS	\$	10,000

TOTAL INCOME: \$ **262,000**

EXPENSES:

SALARIES	\$	94,052
BENEFITS/TAXES	\$	23,695
E.D. RETIREMENT	\$	6,300
PAYROLL FEES	\$	2,000
AUTO EXPENSE	\$	6,192
ACCOUNTANT	\$	20,000
LEGAL		
INSURANCE	\$	3,000
LOAN PAYMENT	\$	16,000
RENT INCLUDING UTILITIES	\$	25,470
TRAVEL/TRANSPORTATION	\$	500
CONFERENCE FEES	\$	500
EQUIPMENT/FURNITURE	\$	500
OFFICE SUPPLIES	\$	2,000
PRINTING/COPYING/STAMPS	\$	1,500
TELEPHONE/FAX/CELL	\$	3,000
POSTAGE/DELIVERY	\$	1,000
DUES AND SUBSCRIPTIONS	\$	1,300
STAFF/BOARD DEVELOPMENT	\$	1,000
PUBLIC RELATIONS	\$	2,500
FUNDRAISING	\$	20,000

TOTAL EXPENSES: \$ **230,509**

Retirement Fund Payment Plan \$ (20,000)

NET INCOME \$ **11,491**

3.

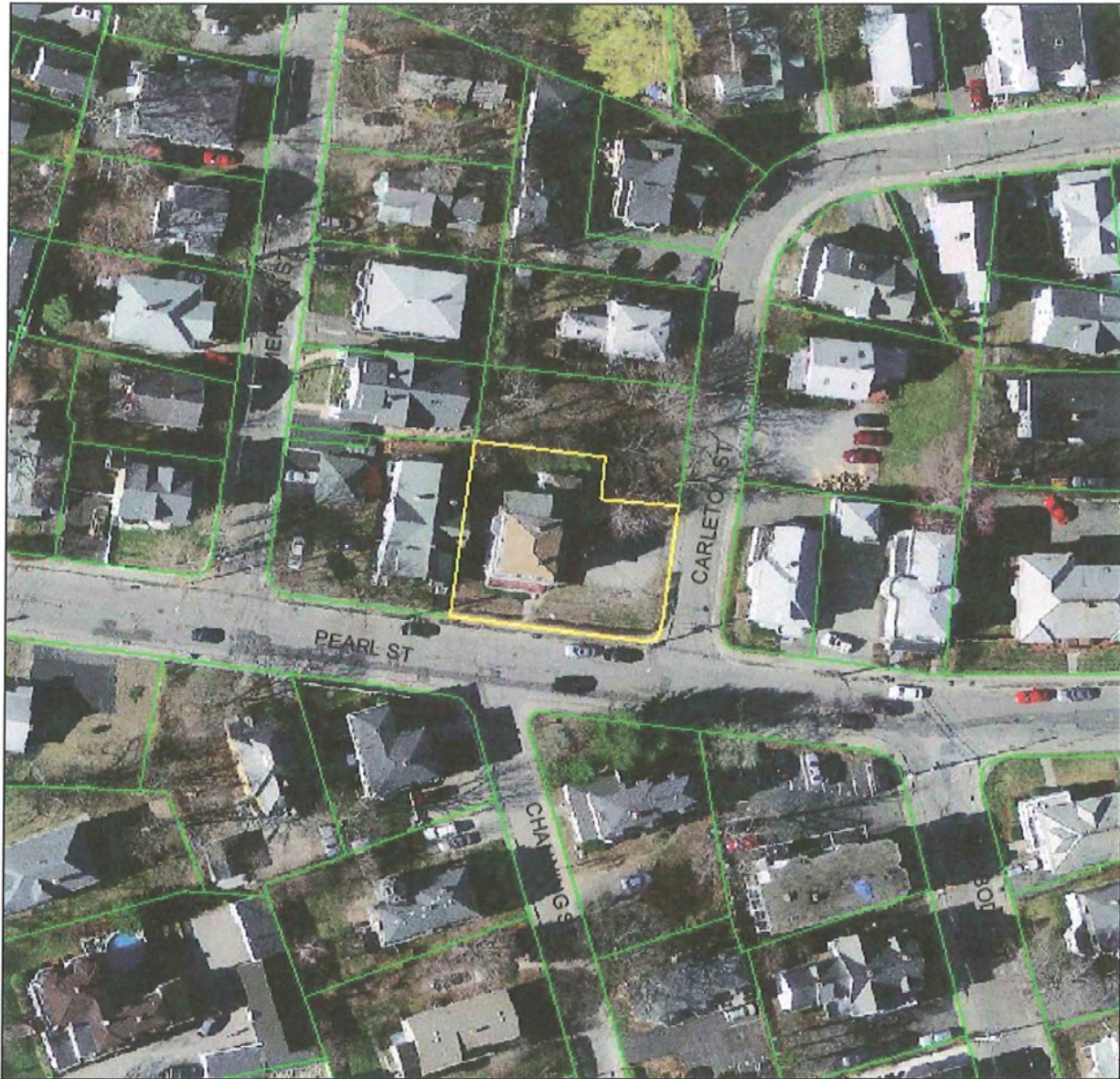
COMMUNITY NEED

This project implements one of the strategies set forth in the final Comprehensive Plan Adopted in November of 2007 –to bring affordability to existing housing. That goal also is articulated in the Community Preservation Plan. The project will also meet the goal of protecting the City's diversity.

The project will also meet the needs identified in the Consolidated Plan to provide additional housing to serve very poor families in Newton and the surrounding communities.

6A

Click the Print button to print this map.



<p>Assessor's Map For: MURRAY MARGARET M TR 61 PEARL TRUST61 PEARL ST Neighborhood: 7</p>	<p>Map for Reference Only NOT A LEGAL DOCUMENT</p> <p>Because of different update schedules, current property assessments may not reflect recent changes to property boundaries. Check with the Board of Assessors to confirm boundaries used at time of assessment.</p>
<p>CITY OF NEWTON MASSACHUSETTS ASSESSING DEPARTMENT 1000 COMMONWEALTH AVE. NEWTON CENTRE, MA 02459 PHONE: 617-796-1160</p> <p>10/15/2010</p>	

6.

PROPERTY HISTORY

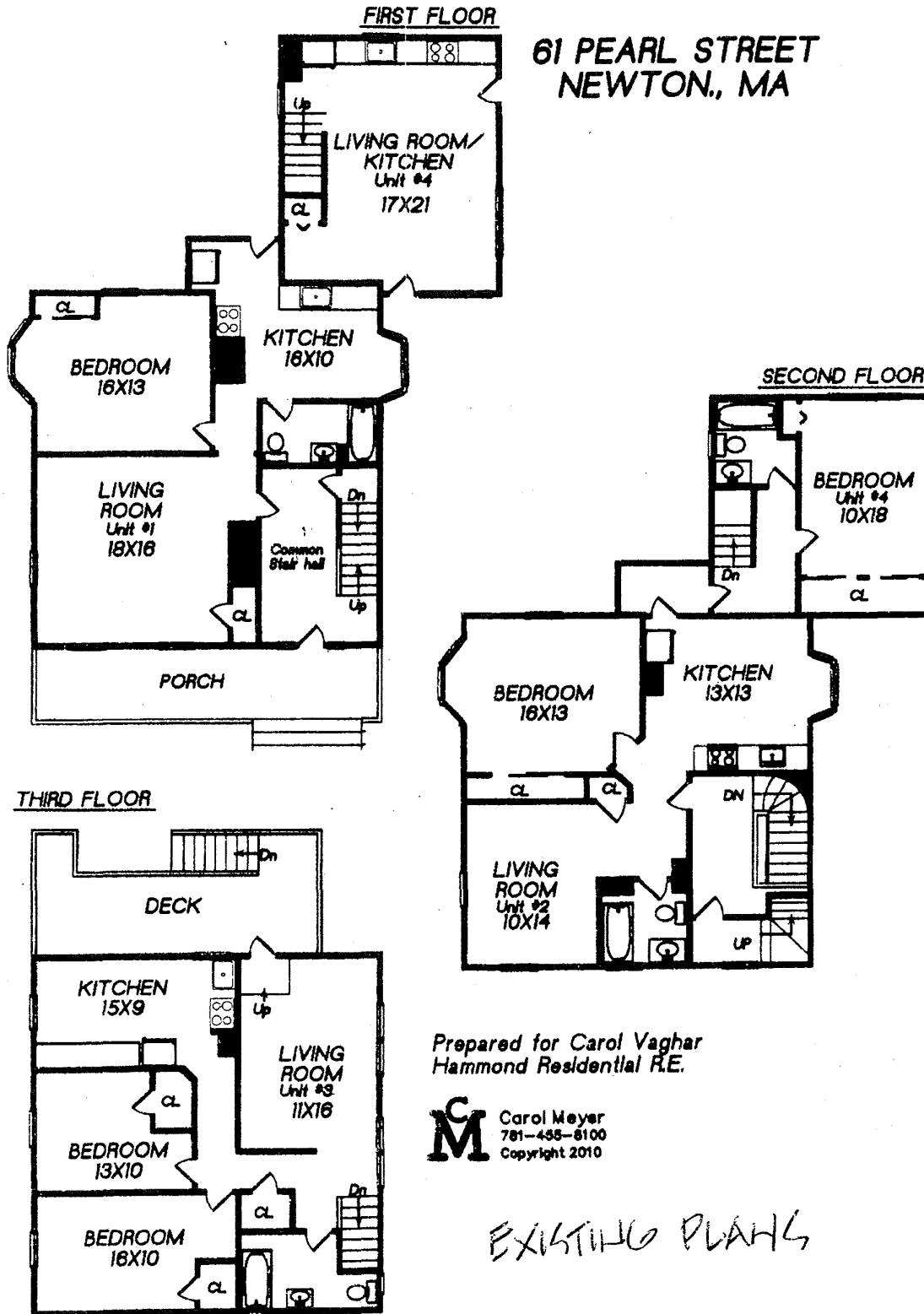
The property is a residential property and I am unaware of any other use. There are 4 units; one 2-bedroom units and three 1-bedroom units.

I am assuming given the age of the property that there is lead paint in the interior and exterior of the building and have included funding for testing and deleading. I will seek \$80,000 in CDBG funds for that purpose.

There is no zoning relief required.

7A(1)

61 PEARL STREET NEWTON, MA



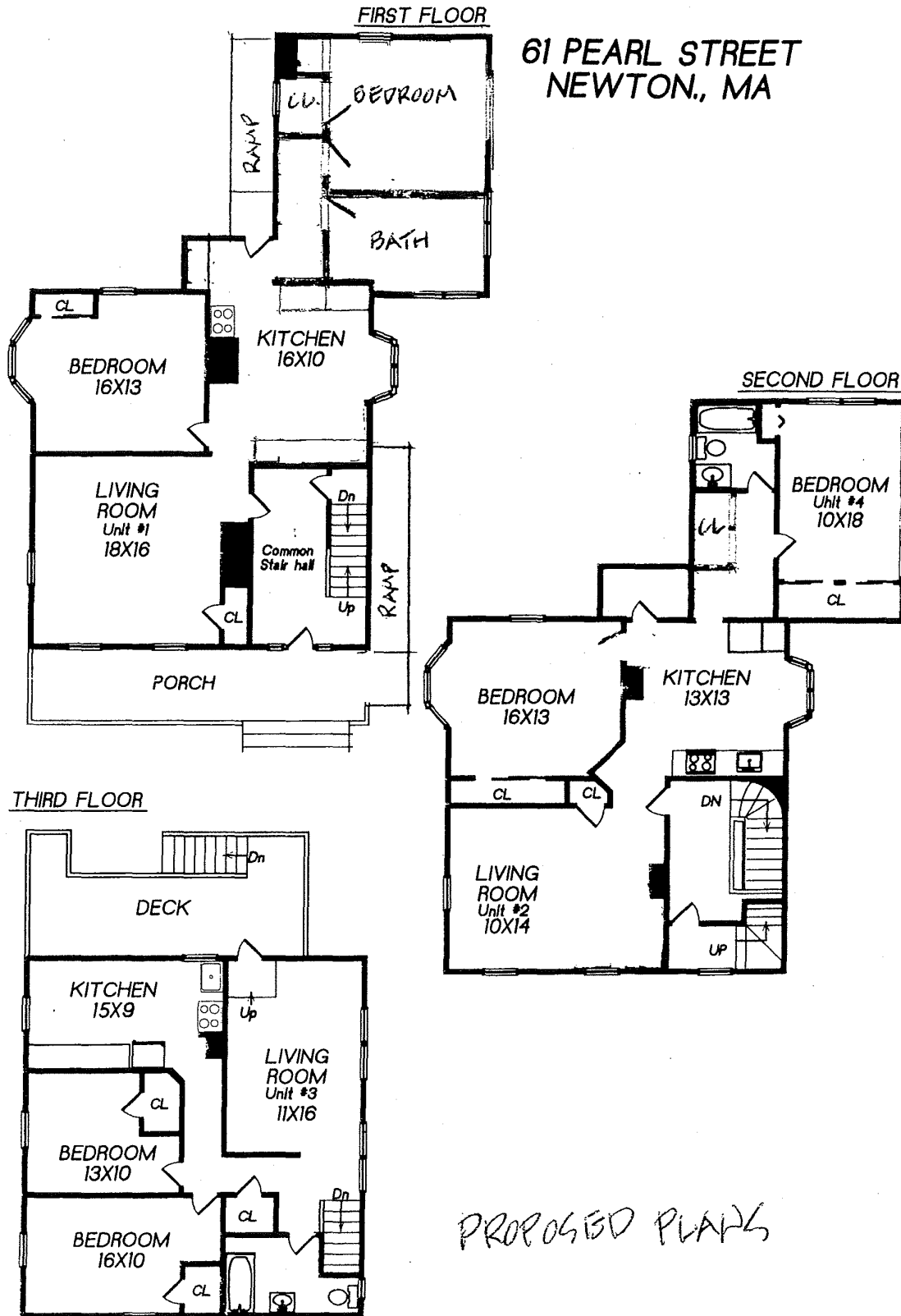
Prepared for Carol Vagher
Hammond Residential R.E.

CM Carol Meyer
781-455-6100
Copyright 2010

EXISTING PLANS

This drawing is an artistic rendering intended for marketing purposes only. The dimensions and/or square footage is approximate and should be verified by an independent source. This drawing is copyright protected and therefore licensed for use by those named on the floor plan.

7A(2)



PROPOSED PLANS

This drawing is an artistic rendering intended for marketing purposes only. The dimensions and/or square footage is approximate and should be verified by an independent source. This drawing is copyright protected and therefore licensed for use by those named on the floor plan.

7. B. & C.

DESIGN & CONSTRUCTION

B. Amenities – There are no unusual amenities in the 2nd and 3rd floor units. However, we are creating a completely accessible unit, designed for someone with a mobility impairment and although not required we are placing a ramp at the rear egress.

C. Sustainable elements – We will enhance existing insulation and place insulation in those areas which are not currently insulated.

8. A & B.

FAIR HOUSING & EQUAL OPPORTUNITY

A. Relocation Plan – Each unit is currently occupied and I am not aware of the incomes; however one of the tenants holds a section 8 voucher. I will work with the city's Housing Office to develop a plan and budget.

B. Reasonable Accommodation/Reasonable Modification Plan

Citizens for Affordable Housing In Newton d/b/a CAN-DO, received federal financial assistance for this project and is subject to the requirements of Section 504 of the Rehabilitation Act of 1973 and its implementing regulations at 24 CFR Part 8. The Act prohibits housing providers from discriminating against housing applicants or residents because of their disability or the disability of anyone associated with them and from treating persons with disabilities less favorably than others because of their disability. The Act also makes it unlawful to refuse to make reasonable accommodations relative to rules, policies, practices or services when accommodations may be necessary to enable a person with disabilities equal opportunity to use and enjoy residing in a housing unit.

The Act defines a person with a disability to include (1) individuals with a physical or mental impairment that substantially limits one or more major life activities; (2) individuals who are regarded as having such impairment; and (3) individuals with a record of such impairment. The term *substantially limits* suggests that the limitation is "significant" or "to a large degree". The term *major life activities* refers to those activities that are of central importance to daily life such as seeing, hearing, walking, breathing, performing manual tasks, caring for one's self, learning and speaking.

Under the Act, physical or mental impairment includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairments, cerebral palsy, autism, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, HIV infection, mental retardation, emotional illness, drug addiction (other than addiction caused by current illegal use of a controlled substance) and alcoholism.

1. The definition of reasonable accommodation and reasonable modification under The Act are as follows:

- **Reasonable accommodation** is a request for a change or waiver to policies, practices, procedures or services to provide greater use and accessibility of the housing services.

- **Reasonable modification** is a physical alteration to provide greater accessibility and use of the premises for a person with a disability. Reasonable modifications can include structural changes to interiors and exteriors of residential units as well as common areas.
2. Persons in need of a reasonable accommodation and/or reasonable modification should make a request to the Executive Director, Josephine McNeil at 1075 Washington Street, West Newton, MA 02465 or via e-mail at jam_cando@msn.com. Or by phone, at 617-964-3527.
 3. Within 5 days of receipt of the request CAN-DO will contact the applicant and arrange to meet with him/her to determine the specific nature of the reasonable accommodation or reasonable modification. In the event the applicant has a mobility impairment CAN-DO will arrange to meet with the applicant at a location that is wheelchair accessible. At that meeting, CAN-DO will prepare a written account of the request and ask the applicant to sign to show his/her agreement with the write-up.

Within 5 days of that meeting, CAN-DO will submit the report to its architect and/or contractor to obtain a description and the cost to satisfy the request. Upon receiving the report CAN-DO will determine if the request will cause an undue administrative and financial burden or changes the basic nature of the housing program. CAN-DO will provide the applicant with a copy of the report.

In order to determine whether the costs are reasonable, CAN-DO will establish a 3 member panel of volunteers which shall include a building professional, other than the one who wrote the report, a disability advocate and a lawyer familiar with disability law, who will review the request and the report from the architect/contractor and provide CAN-DO with a written report. The applicant will be given the opportunity to meet with the panel.

The report from the panel will be presented to CAN-DO's Board of Directors who will make the final determination regarding the expenditure of funds. This process must be completed within 21 business days of the original request.

4. If the Board denies the request because it would cause an "undue hardship", and the Applicant thinks he/she has been discriminated against he/she has the right to file a fair housing complaint with the City of Newton's Human Rights Commission.

Policy Adopted by Board of Directors on March 10, 2010

Policy Revised by Board of Directors on June 23, 2010

Policy Revised by Board of Directors on July 14, 2010

9.

ARCHITECTURAL ACCESSIBILITY

CAN-DO interest this property was motivated to a degree by its desire to produce a completely accessible unit. Therefore we are reducing the number of units in the structure for that specific purpose. As currently configured the first floor of the house consists of one – 1 bedroom unit and a combination kitchen and living area of another one-bedroom unit whose bedroom is on the second floor.

We plan to open the wall so that all of the first floor can be used to create a 2- bedroom unit designed for someone with mobility impairment and although not required we are placing a ramp at the rear egress.

When we meet with the city's development review team, we will present schematics which reflect the described unit.

Date: Tue Dec 28 17:34:47 EST 2010
From: Josephine McNeil <jam_cando@msn.com>
To: Alice Ingerson aingerson@newtonma.gov
for the Community Preservation Committee

Summary of Budget Revisions for 61 Pearl Street

Following is the explanation for the differences between the current proforma (development) and operating budgets and the original versions submitted in October 2010.

The revised development proforma and the operating budget reflect changes in the program for the project based on input from the NHP [Newton Housing Partnership] and the P&D Board [Planning & Development Board].

The population to be served will be families with incomes at or below 60% of the AMI (previously it was 50%).

Tenants will pay for their own gas/electricity.

Changes in the operating budget:

- * reduction in the rental income to reflect payment of gas/electric by tenants
- * elimination of the administration line with an increase in the management fee line from 5% to 7%
- * reduction in utilities line to reflect payment of the gas/electric by tenants
- * reduction in the operating reserve from \$1000 per unit to \$500 per unit
- * correction in the real estate tax line to \$8000

Changes in development budget:

- * reduced construction contingency to 10%
- * changed building permit fee to reflect direct construction cost at 18.60 per thousand
- * Added relocation cost

Josephine McNeil
Executive Director
Citizens for Affordable Housing in Newton Development Organization
617-964-3527

PEARL STREET DEVELOPMENT PROFORMA rev	Nov. 05, 2010	ORIGINAL	Source Allocation					
			Acquisition	Construction	Developer Fee/Overhead	Soft costs	Replacement Reserves	
ITEM								
DEVELOPMENT BUDGET		\$ 780,000						
SUBTOTAL - ACQUISITION COST		\$ 780,000						
CONSTRUCTION COSTS:								
Direct Construction Costs		\$ 322,680						
Construction Contingency	10%	32,268						
Subtotal: Construction		\$ 354,948						
GENERAL DEVELOPMENT COSTS								
Architecture/Engineering/Survey		\$ 18,500						
Building Permits		\$ 6,002						
Legal		\$ 3,000						
Title and Recording		\$ 5,000						
Real Estate Taxes	1 year	\$ 7,639						
Liability Insurance		\$ 2,900						
Builder's Risk insurance	1 year	\$ 5,000						
Appraisal		\$ 750						
Loan Interest		\$ 25,000						
Other		\$ 1,938						
Relocation	Pre-development	\$ 20,800						
Total		\$ 96,529						
Soft Cost Contingency	5%	\$ 4,826						
Subtotal: Gen. Dev.		\$ 101,355						
Subtotal: Acquis., Const., and Gen. Development		\$ 1,236,303						
>Developer Overhead/Fee		\$ 123,696						
Fund Replacement Reserve		\$ 10,000						
TOTAL DEVELOPMENT COSTS		\$ 1,370,000						
FUNDING SOURCES:								
City of Newton - CDBG/HOME		\$ 400,000	\$ 400,000	\$ -	\$ -	\$ -	\$ -	\$ -
City of Newton - LEAD Grant		\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ -
CPA GRANT		\$ 665,000	\$ 205,000	\$ 274,948	\$ 93,696	\$ 91,356	\$ -	\$ -
Private Foundations		\$ 50,000	\$ -	\$ -	\$ 30,000	\$ 10,000	\$ 10,000	\$ -
Bank		\$ 175,000	\$ 175,000	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL SOURCES		\$ 1,370,000	\$ 780,000	\$ 354,948	\$ 123,696	\$ 101,356	\$ 10,000	\$ 10,000

8 December 2010,
revised operating budget

61 Pearl Street

Proposal for Community Housing at

61 PEARL ST OPERATING BUDGET		2010 BASIS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
UNIT TYPE	# OF UNITS	RENT										
AFFORDABLE - 3 BR	3	\$ 1,176	High HOME									
Annual increase: income				3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Annual increase: costs				4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
INCOME:	MONTHLY	ANNUAL										
3 - 3 BEDROOM (\$1176)	\$ 3,528.00	\$ 42,336										
Vacancy (5%)	\$	\$ 2,117										
ANNUAL RENTAL INCOME	\$ 40,219	\$ 483,949	\$ 42,669	\$ 43,949	\$ 45,267	\$ 46,625	\$ 48,024	\$ 49,465	\$ 50,948	\$ 52,477	\$ 54,051	
EXPENSES												
Administrative												
Management Fee @ 7% of income	\$ 2,815	\$	\$ 3,045	\$ 3,167	\$ 3,294	\$ 3,425	\$ 3,562	\$ 3,705	\$ 3,853	\$ 4,007	\$ 4,167	
TOTAL ADMINISTRATIVE	\$ 2,815	\$	\$ 3,045	\$ 3,167	\$ 3,294	\$ 3,425	\$ 3,562	\$ 3,705	\$ 3,853	\$ 4,007	\$ 4,167	
Maintenance:												
Janitorial Supplies	\$ 1,500	\$										
Landscaping/Snow Removal	\$ 3,000	\$										
Decorating/Repairs	\$ 5,000	\$										
TOTAL MAINTENANCE	\$ 9,500	\$ 10,686	\$ 10,275	\$ 10,686	\$ 11,114	\$ 11,558	\$ 12,021	\$ 12,501	\$ 13,001	\$ 13,521	\$ 14,062	
Utilities:												
Electric & Gas	\$ 500	\$										
Water/Sewer	\$ 2,500	\$	\$ 3,245	\$ 3,375	\$ 3,510	\$ 3,650	\$ 3,796	\$ 3,948	\$ 4,106	\$ 4,270	\$ 4,441	
TOTAL UTILITIES	\$ 3,000	\$ 3,120	\$ 3,245	\$ 3,375	\$ 3,510	\$ 3,650	\$ 3,796	\$ 3,948	\$ 4,106	\$ 4,270	\$ 4,441	
Insurance	\$ 2,800	\$										
Taxes	\$ 8,000	\$										
Operating reserve	\$ 1,500	\$										
TOTAL RESERVES/INSURANCE/TAXES	\$ 12,300	\$ 12,792	\$ 13,304	\$ 13,836	\$ 14,389	\$ 14,965	\$ 15,563	\$ 16,186	\$ 16,833	\$ 17,507	\$ 18,207	
TOTAL OPERATING COSTS	\$ 27,615	\$ 28,720	\$ 29,869	\$ 31,064	\$ 32,306	\$ 33,598	\$ 34,942	\$ 36,340	\$ 37,794	\$ 39,305	\$ 40,877	
NET OPERATING INCOME	\$ 12,604	\$ 12,706	\$ 12,800	\$ 12,885	\$ 12,961	\$ 13,027	\$ 13,082	\$ 13,125	\$ 13,155	\$ 13,172	\$ 13,174	
Debt Service (P & I)	Monthly	Annual										
175,000@.04 to 2015	\$ 835	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	
175,000@.05 post 2015	\$ 939	\$ 11,268	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	
DEBT SERVICE	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	\$ 10,020	
NET CASH FLOW	\$ 2,584	\$ 2,686	\$ 2,780	\$ 2,865	\$ 2,941	\$ 3,007	\$ 3,062	\$ 3,062	\$ 3,062	\$ 3,062	\$ 3,062	
DEBT SERVICE COVERAGE RATIO	1.26	1.27	1.28	1.29	1.29	1.29	1.30	1.31	1.31	1.31	1.31	



61 PEARL STREET

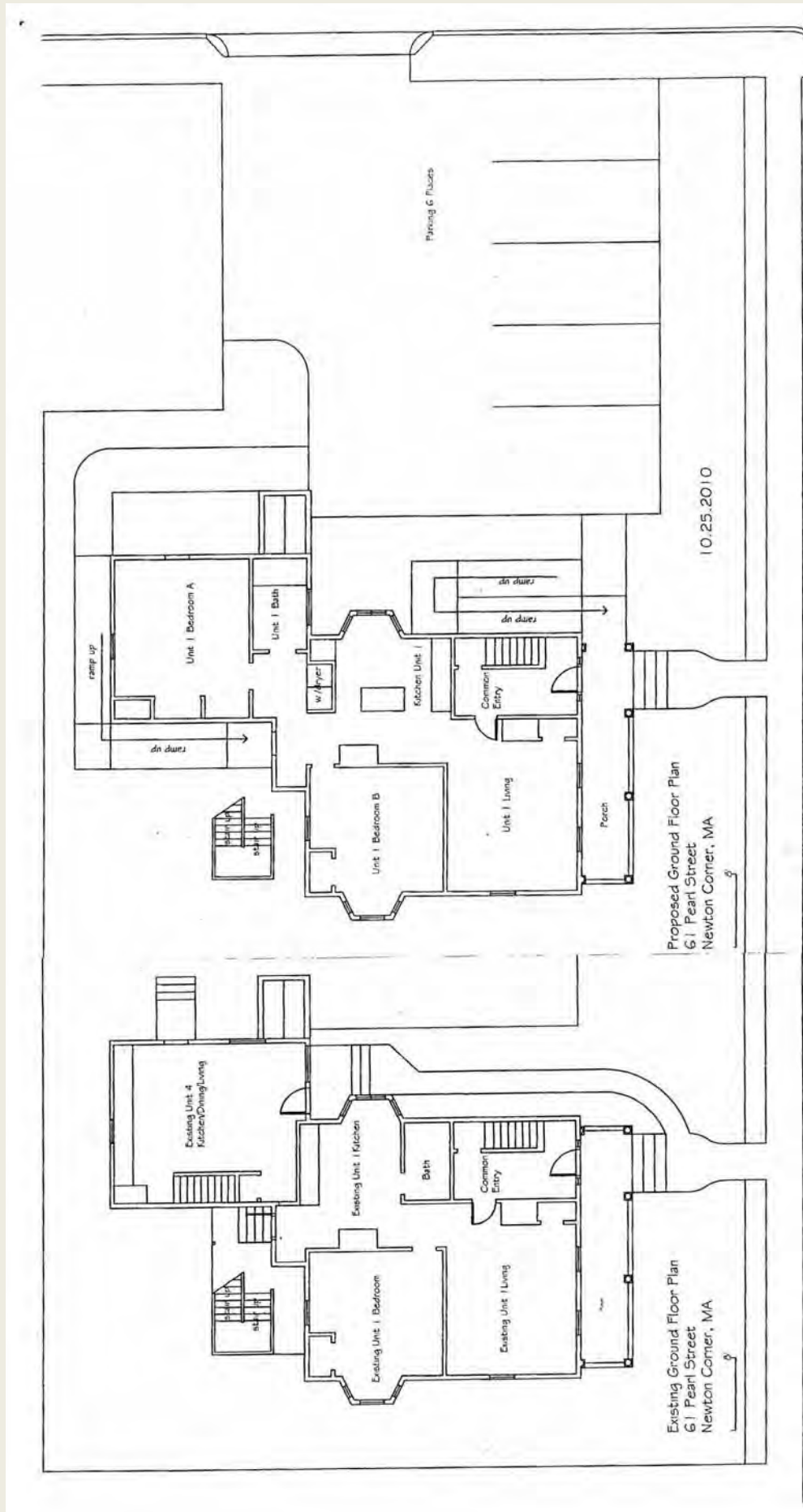
HOUSING ACQUISITION-REHAB

Presentation to the Newton Community
Preservation Committee
December 15, 2010

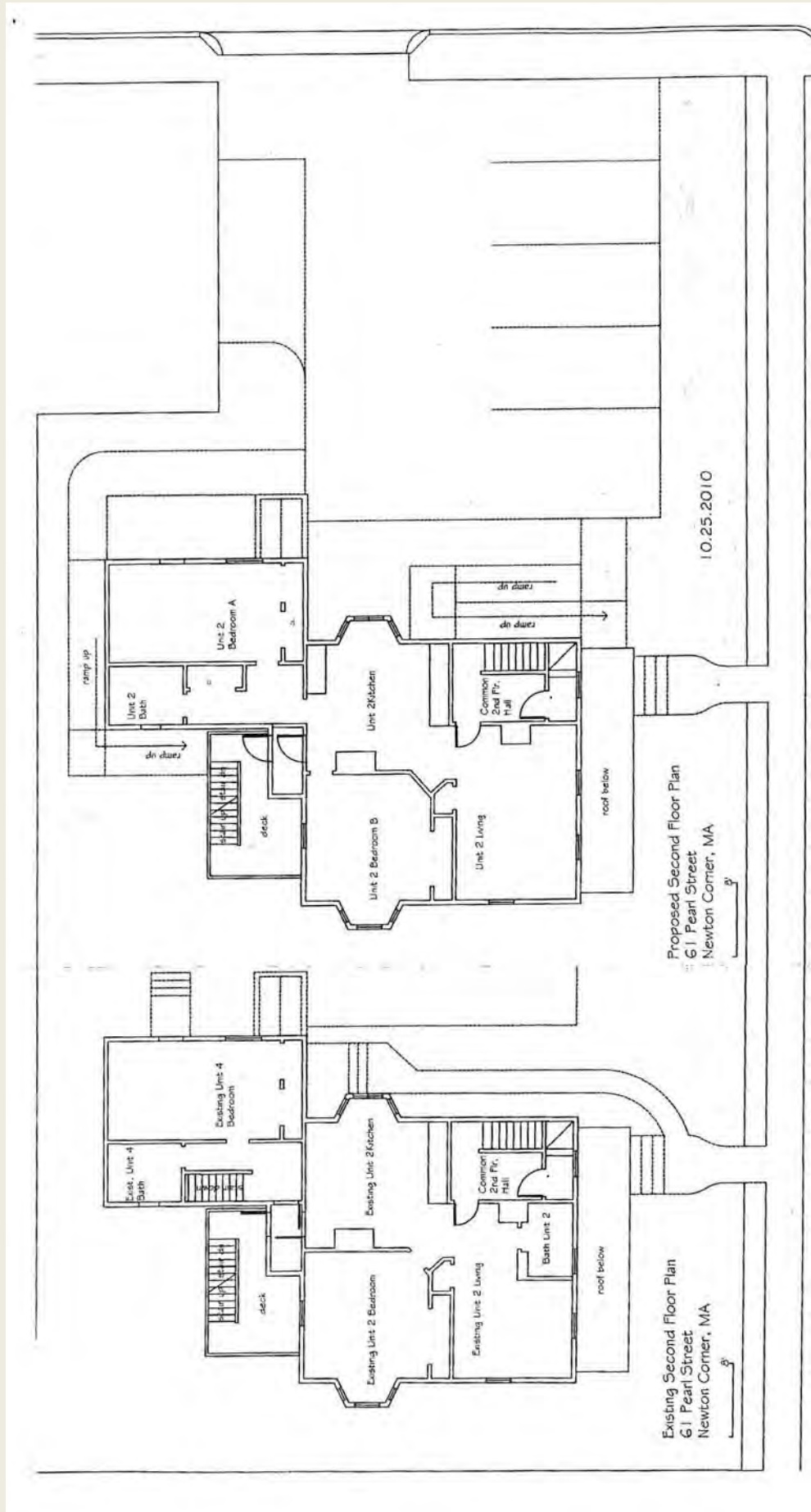
Project Basics

- 3 affordable rental units
- One unit fully accessible
- Two-bedroom units
- 1870 dwelling rehabilitated
- Village center location

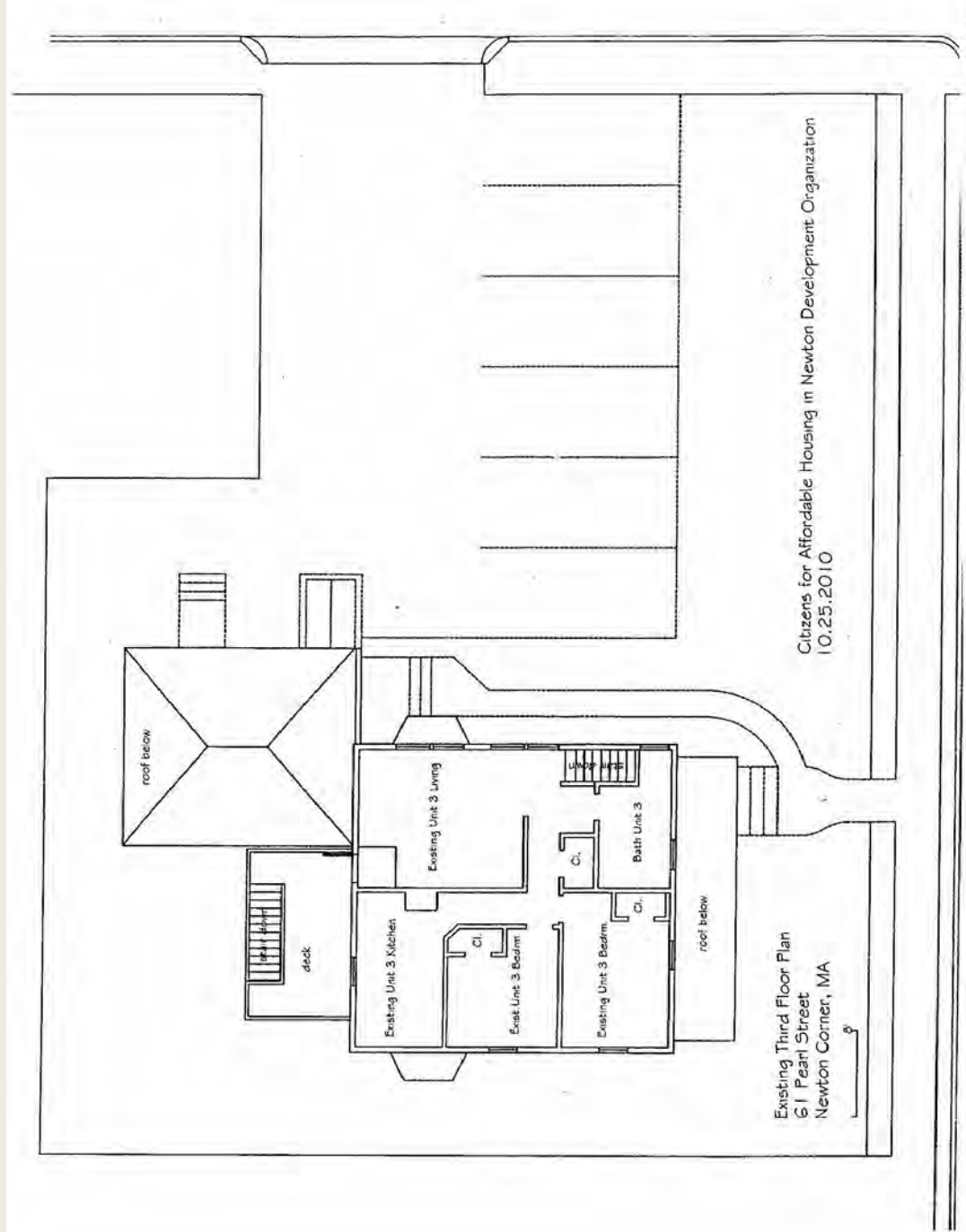
First floor plans



Second floor plans



Third floor plan



61 PEARL STREET DEVELOPMENT PRO FORMA

DEVELOPMENT BUDGET	\$ 1,370,000
Acquisition cost	\$ 780,000
Construction cost	\$ 354,948
Soft costs	\$ 100,934
Overhead & fee	\$ 124,118
Replacement reserve	\$ 10,000
FUNDING SOURCES	\$ 1,370,000
CDBG/HOME	\$ 400,000
Lead paint grant	\$ 80,000
Newton CPC	\$ 665,000
Foundations	\$ 50,000
Cambridge Savings Mortgage	\$ 175,000

61 PEARL STREET OPERATING BUDGET

YEAR	2011	2015	2020
ANNUAL RENTAL INCOME	\$ 41,426	\$ 46,625	\$ 54,051
ANNUAL OPERATING EXPENSES	\$ 28,720	\$ 33,598	\$ 40,877
Administrative fee	\$ 2,928	\$ 3,425	\$ 4,167
Maintenance	\$ 9,880	\$ 11,558	\$ 14,062
Utilities	\$ 3,120	\$ 3,650	\$ 4,441
Reserve, insurance, taxes	\$ 12,792	\$ 14,965	\$ 18,207
NET OPERATING INCOME	\$ 12,706	\$ 13,027	\$ 13,174
DEBT SERVICE	\$ 10,020	\$ 10,020	\$ 11,268
CASH FLOW	\$ 2,686	\$ 3,007	\$ 1,906
COVERAGE RATIO	1.27	1.30	1.17

Who will live there?

- Federal HOME regs limit household eligibility to 60% of the current area median income.
- Eligible income levels (FY 2010):
 - Family of 2: \$37,650
 - Family of 3: \$42,240
 - Family of 4: \$46,920
- Monthly rent level (FY 2010): \$1,176

Some supporters

- Ward 1 Aldermen
- Newton Housing Partnership
- Planning & Development Board
- Petition signers

28 December 2010, Summary Scope of Work for Renovation at **61 Pearl St.**

page 1 of 4

Citizens for Affordable Housing in Newton Development Organization, Inc.

61 Pearl St., Newton MA Housing Renovation Project Summary
including "Sustainable Materials/Systems Summary" on page 4
 ("green" features of this project)

61 Pearl Street is presently a two and three story, multi-family dwelling of 4 living units. The ground floor accesses a foyer for entry to a single story one bedroom unit, and a stairway that accesses the two upper units; a separate entry for an attached two story one bedroom apartment is at the rear of the property. The second and a third floor units, above the single bedroom first level unit are one bedroom and two bedroom units respectively. The building is wood frame, mansard and hipped roofed, and constructed in the 1870s. The site is level and provides easy pedestrian and vehicular access within planting and lawn areas. It is immediately adjacent to a small public park.

The proposed renovations would repartition the existing four units into three two bedroom units. This would combine the first floor living area of the separately entered two story unit with the existing one bedroom ground level apartment. This unit would be renovated as a fully accessible unit with entry and exit ramps, accessible kitchen/bath/closets, two bedrooms, and would meet all other current accessibility requirements. The second level of the existing two story unit would be combined with the existing second floor one bedroom unit to provide a two bedroom/one bath living unit. The third floor two bedroom unit would remain, and would receive minor renovation work required by code or providing energy improvements. New exit doors, fire shutters, roofing, attic and basement insulation, on site vehicle paving, site landscaping/fencing, and structural and mechanical improvements will be included in the scope of the project.

Scope of Work and Preliminary Estimate. General: all architectural and systems work to convert 1st level existing one bedroom unit # 1 and lower floor of one bedroom unit # 4 to a two bedroom architecturally accessible unit **no. 1**, and to convert 2nd level existing one bedroom unit #2 and upper floor of unit #4 to a two bedroom unit **no. 2**, and to provide energy improvements to existing exterior envelope, all floors. Italicized items below are those required by code, or for health and safety conditions.

1. Remove and dispose of existing concrete entry tread/riser slabs and railings (4 sets of same); repoint brick and stone foundation. Repoint chimney and replace flashings. \$ 5,600.
2. Remove existing paving, place new base and two part bituminous paving for parking 6 vehicles (1 accessible); provide edging, striping, and rough grade all disturbed areas. \$11,500.
3. Place new loam, landscape edging, seed, plantings, and mulch at new planting areas, and at disturbed existing lawns and planting beds. Install new fence at west property line. \$ 6,300.
4. Construct new pier foundations and slab, wood frame walls and roof, side and roof for new 6 barrel storage shed. \$ 4,700.

28 December 2010, Summary Scope of Work for Renovation at 61 Pearl St.

page 2 of 4

5. Remove existing front porch deck, balustrade, frame, and trim; replace same @ 1/2" below existing interior first floor finish flooring; place and finish new plinths, porch skirt, relocated balustrade, and trim; construct new foundations, wood frame, decking, newels, and rails, and landings for access ramp to front porch; new ramp balustrade to match historic existing. New hardware @ existing door. Construct new rear yard ramp for second egress, similar to existing rear egress stair. Finish all. \$ 38,000.
6. *Remove existing rear egress doors/frames @ exterior egress stair; repair/bring to code existing rear yard egress stair frame, replace existing column post seats, place footings. Install smoke activated fire shutters on all windows (3) that open onto egress stair.* \$ 10,400.
7. Remove two existing first floor doors, and fill frame, replace same with new insulating window units, trim and sidewall to match existing. Replace all existing single glazed window sash, frame and trim (8) \$ 4,800.
8. Remove existing rear kitchen and interior stair from first floor to second; frame in existing floor openings; patch all adjacent surfaces. @ same 1st floor area (existing unit 4 living room/kitchen) frame and finish new accessible bath, bedroom, closet. Remove all interior and exterior wall finishes at first and second floor west wall, insulate and replace materials and finish. \$16,500.
9. Remove existing bath and kitchen cabinets, counters, and appliances at existing 1st floor main house (existing unit 1), and construct new accessible kitchen cabinets, counters, appliances and entry closet. \$ 13,100.
10. Remove existing doors, frames, and hardware (3) and replace same with new 36" wide doors, frames and lever hardware to meet the door access requirements, including latch side dimensions and turn around clearances. \$ 3,600.
11. Remove and replace all existing operable devices as lighting switches, closet poles and shelving, thermostats, CATV wiring, etc. to meet accessibility requirements. Rewire common spaces (interior and exterior) and provide "house" panel. \$ 5,900.
12. Modify existing boilers for extensions of existing systems to unit size increases, additional zones for new units no. 1 & no. 2, and for the "house" systems. Provide new baseboard radiation at all altered new rooms (5) Add condensate pumps. \$12,300
13. Remove existing exterior door to egress stair landing at upper level of existing unit (new unit no. 2 second bedroom), patch frame and install new window at same, patch siding and trim. Provide new cased opening to existing stair hall at same area from existing unit #2 kitchen, and construct new closet at location of existing stair (removed under item 7 above). Renovate existing north bath/remove south bath. \$ 12,700.
14. Modify existing electrical lighting and power, and heating at areas of renovations existing unit #2, and upper level existing unit #4 (new unit no. 2 second bedroom). \$5,500.

28 December 2010, Summary Scope of Work for Renovation at 61 Pearl St.

page 3 of 4

15. Allow for new painting throughout interiors of all units and common halls (20 rooms), and exterior front porch and new ramps. \$22,600.
16. Insulate exposed walls at new accessible unit, second floor two bedroom unit, third floor attic and basement ceiling/sills. Caulk all exterior voids at opening perimeters. \$9,200.
17. *Rebuild existing two story roof with crickets and single membrane; reroof low slope areas with same; reroof missing shingles at high mansard, and reroof the low roof in it's entirety. Flash chimneys and all roof penetrations, hang gutters and down spouts, and add extensions to same for positive drainage. Install new rubber roof at low entry porch roof.* \$17,600.
18. *Replace damaged wiring at attic level, provide carbon monoxide detectors throughout, repair exterior electrical receptacles, and secure "clothesline wiring" at basement level.* \$3,900.
19. *Repair leaking water closets, replace sillcocks, replace tub spout, replace cast iron water connections at basement, relocate existing domestic water lines to interior warm walls from exterior heat traced locations, and install new washes and dryers @ first level unit and basement. Install low flow domestic water devices at all domestic plumbing fixtures.* \$ 6,200.
20. *Shore, remove basement masonry piers, sawcut floors, place footings and new lally columns (6) below existing first floor frame; replace eight feet of rotted foundation sills; install new hangers for beam to girder, and joists to girder, and new beams at northwest abandoned chimney. Replace rotted girder at east bay basement.* \$ 9,800.
21. *Reset metal bulkhead and seal same.* \$ 300.
22. *Install liner at existing chimney that serves domestic hot water heater, and install chimney cap, OR remove existing domestic hot water heater and replace same with new gas fired direct vent or boiler supplied hot water heaters.* \$ 1,600.
23. *Allow for new sanitary line to street connection and for new water service line to street connection.* \$10,200.
24. Remove hung acoustical tile ceilings at 3rd floor, remove loose plaster and/or patch, and add 1/4' GWB over existing plaster ceilings, tape and finish. \$ 2,500.
25. Furnish and install window treatment all existing and new units. \$ 3,700.
26. Delead all existing painted interior and exterior painted wood. \$80,000.
- Total construction cost. \$318,500.
1.3% inflation factor \$ 4,140.
Total construction cost. \$322,640.
15% construction contingency. \$ 48,396.

28 December 2010, Summary Scope of Work for Renovation at **61 Pearl St.**

page 4 of 4

Citizens for Affordable Housing in Newton Development Organization, Inc.

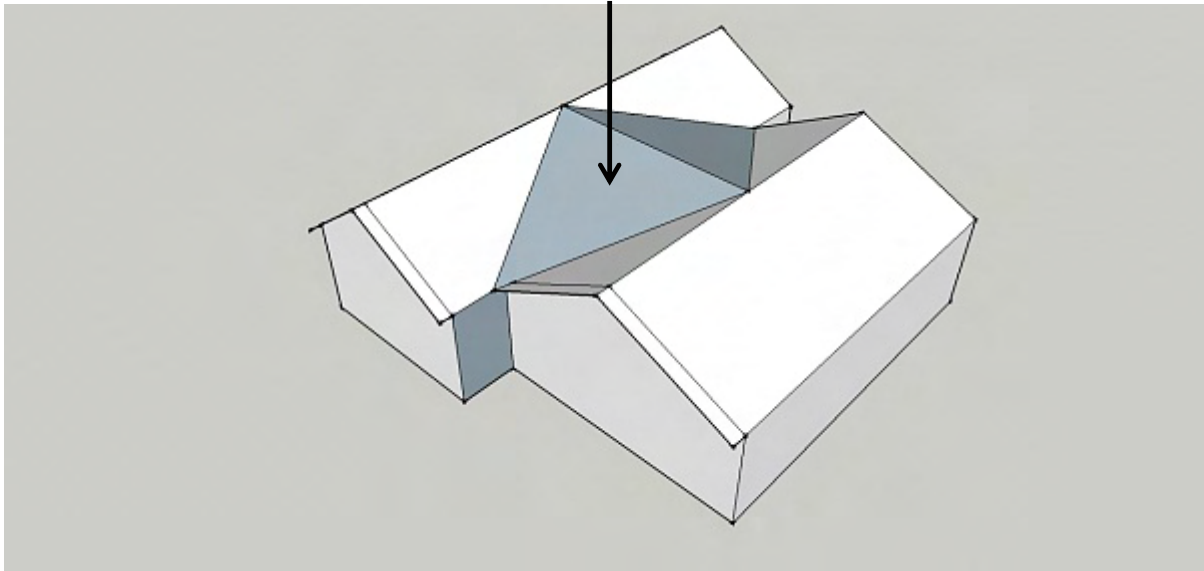
61 Pearl St., Newton MA Sustainable Materials/Systems Summary

Renovations and additions to 61 Pearl St., Newton, MA shall include the following “Green” elements:

1. New framing members shall be “engineered” lumber.
2. New exterior ramp and porch surfaces shall be recycled composite decking.
3. New exterior and interior finishes shall be low VOC paints.
4. New interior bath and kitchen floor finishes shall be linoleum.
5. Existing doors, frames, trim and hardware shall be recycled where possible.
6. New kitchen and bath cabinets shall be of non-toxic adhesives, and from wood of monitored forests.
7. Caulking and sealants shall be non-toxic.
8. Floor finishes shall be water based low VOC finishes.
9. Newly exposed existing or new wall cavity insulation shall be open or closed cell foams (Icynene) or equal.
10. High attic roof rafters shall be insulated with closed cell foam.
11. All domestic water devices shall be low flow fixtures.
12. Bathroom fans shall be timed exhausts.
13. New light fixtures shall have compact fluorescent lamps.
14. New plantings shall be low water, indigenous varieties.

Note that the Stretch Code, where new additions and frame cavities are not included, requires insulation (3.5 R value per inch) only at newly exposed existing wall or roof cavities; the foam insulations for this project will exceed the required value. Reusing the existing heating boilers does not require any additional heating system or envelope testing.

Generic Diagram of an Architectural "Cricket"



A cricket will be used to improve drainage between the abutting roofs of the main building and rear addition at 61 Pearl Street, shown below:



fy11 funding proposals to Newton CPC, League of Women Voters comments; rec'd 14 Dec 2010

3. 61 Pearl Street

Submitted by: Josephine McNeil, CAN-DO, 1075 Washington St. W. Newton 02465 617-964-3527

Category: Community Housing

Location: 61 Pearl St. Newton MA 02458 (at the corner of Carleton St., opposite Channing St.) Ward 1

Cost: \$665,000 requested from CPA, total: \$1,370,000
Other proposed funding sources: \$130,000 CDBG (for lead removal), \$350,000 Home, \$175,000 private bank loan, \$50,000 private foundation grants

LWVN Reviewer Comments/Questions:

CAN-DO has successfully completed several CPA affordable housing projects in Newton, all of them, like this one, small, in-fill developments. The LWVN supports such developments, which bring the city closer to the 10 percent affordable housing goals of the City and Comprehensive Plan without adding density. It fits with Newton's CPA Plan. The Housing Partnership has also identified a need for smaller 1-2 BR affordable units.

This application has the added environmental benefit of not increasing the foot print of the existing building, merely improving it and making it affordable.

We also applaud the developer for making the ground floor unit wheelchair accessible, and look forward to future developments with accessibility. The site at Pearl St. is relatively flat, which also allows for easier car and wheelchair access. The proposal also addresses a deficit in Newton's housing noted by Newton At Home: the lack of single-floor housing.

The LWVN strongly supports making such developments sustainable in the long term, and therefore encourage the developer to enhance non-toxic insulation and building envelope sealing beyond building code to Newton's "stretch" code, adding to its CPA request, if necessary. This will not only ensure longer-term affordability, but will save the developer operating costs.

Letters of support and architectural schematic plans will be presented later. A site plan showing the layout of parking and driveway would be helpful.

There is a lot of information on the financials of the organization, but not as much detailed information about the proposed changes. A full explanation of the cost of each of the major architectural elements, and a time-line would make this application much stronger.

Questions:

- Has the developer allowed a large enough percentage for contingencies and management?
- Will there be relocation costs?
- Will there be enough parking on-site for each unit, if so, how many spaces per unit?
- Will children attend the Lincoln-Eliot School?
- Are there other services and amenities within easy walking distance, such as shops, parks/playgrounds, public transit? We'd like to see referenced what services are within ½ mile walking distance: school, church/temple, market, bank, park/playground, restaurants, bus stops, etc.

Recommendation: Assuming community support is evidenced in some manner, (understanding that getting neighbor or abutter support of often difficult when creating affordable housing) that the final architecture and site plans showing paved parking area, and the units especially the accessible one are feasible, and other funding sources are identified such as the private bank lender and private foundation grants, we support this proposal.

Trick or Treat ?

Look at the Math

Can-Do's Pearl Street Project

Can-Do is buying a **4** family house for \$ 780,000 = \$ 195,000 per unit

They are making it into a **3** family house = \$ 260,000 per unit

Then Can-Do's Developer's Fee \$ 125,000 = \$ 301,666 per unit

Plus **unspecified** Development costs \$ 465,000 = \$ 456,666 per unit

100 + year old building, \$ 456,666 a unit, only 3 families, where is the value?

Total cost \$ 1,370,000.

Does this make economic sense ?

Is ANYONE watching out for the tax payers' money ?

10/31/10

Michael Lepie
P.O. Box 157
Waban, MA 02468
617-795-0404
BIKERML@aol.com

1/3/11

Community Preservation Committee

Members,

Re : Can-Do's
Pearl St. Project
CPA , CDBG, Home Funds

I write to you not only as a Citizen & Tax Payer, but as a Businessman.

Over the last six years :

Can-Do has loss more than \$1 million in tax payers' funds.

Has not delivered one unit of affordable housing.

Has paid their Executive Director More than \$ 600,000 in salary, plus car, etc, etc, etc.

Can-Do has 4 million in assets and 6 million in liabilities.


I do not understand how Can-Do's business plan works.

Will Pearl Street ever be worth the \$1.3 million (tax payers) investment ?

Are the Tax Payers getting value for their tax dollars ?

Please watch the **Money**.

Thank You,



Michael Lepie
Citizen & Tax Payer

Cc : Board of Aldermen
Planning & Development Board

By Hand and E-mail

1/18/11

W. Bart Lloyd
65 Taft Ave.
Newton, MA 02465

Alice Ingerson
Community Preservation Program Manager
Community Preservation Committee (the "Committee")
City of Newton

Re: Can-Do's Pearl St. Project
Letter of Michael Lepie

Dear CPA Committee Members:

I write in response to the January 3, 2011 letter of Michael Lepie to the Committee with respect to CAN-DO's Pearl St. Project. I write as an affordable housing professional who, over the past 12 years of being a Newton resident, has contributed time, effort and funds to help make sure that Newton tries earnestly to do its fair share of providing affordable housing to low and moderate income families.

Mr. Lepie's letter includes an unsigned flyer on orange paper that was separately distributed to various committees previously. The letter and flyer contain a variety of assertions, accusations, open questions and conclusions; all of which are pointed at undermining Can-Do and its efforts to produce affordable housing in Newton.

I presume the failings of Mr. Lepie's assertions, and his disturbing focus on Can-Do's activities, will speak for themselves. However, I do not think that the distributed written statements - in any event, and regardless of their inherent credibility issues - should be left to hang unanswered and not responded to.

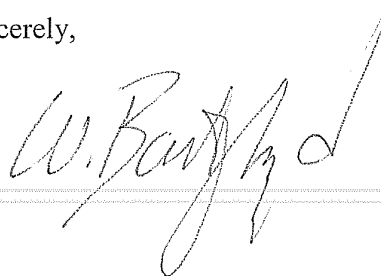
It is not at all clear that Mr. Lepie has any interest in advancing the production of affordable housing in Newton. However, Can-Do does; and it is worth noting that while there are many other groups (B'Nai Brith, Avalon Bay, SEB) that, from time to time, may be enticed by particular opportunities to produce affordable housing in Newton - none of them are dedicated to our community with any particularity.

The kinds of projects that Can-Do undertakes (Pearl St. - at 4 units - is a perfect example), are important because they are more organic (from a community development perspective) than other development programs, generally in-filling within existing housing stock instead of razing and rebuilding. However- these more 'organic' affordable housing developments also are of a fundamentally non-economic scale, often

cannot cover their own costs (through developers fees), and certainly would not provide enough opportunity to attract development entities that are not geographically dedicated to Newton to produce affordable housing. Moreover – the sometimes troubling scale of per-unit subsidies that are necessary to produce affordable housing in Newton is often a direct result of the desire to knit affordable housing into the quilt of the existing housing stock. Creating affordable housing in the context of large 100+ and 200 + unit developments is a much more economically efficient way to produce affordable housing. The relative efficiency, however, doesn't wholly answer the question of whether, all things considered, that is the best way for us to accomplish that task in Newton. Nor does it answer the question of whether affordable housing will be created in Newton in the absence of economic opportunities inherent to large developments.

The Pearl St. project should be supported – both on its own merits and as a type of affordable housing that Newton should encourage. That does not mean that there should not be an open and frank dialogue, open to all, about how we can more efficiently create affordable housing in Newton. Part of that dialogue is asking how we can do so in a manner and at a scale that is conducive to the broader interests of retaining the character of our community. However, it should be made clear- in no uncertain terms - that unseemly and mean-spirited missives are not a productive part of that debate.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Barry". The signature is fluid and cursive, with a long, sweeping tail that extends upwards and to the right.

#45-11
#45-11

FINAL Subsidy Layering Review

61 Pearl Street, Newton, MA

MetroWest HOME Consortium subsidy: \$400,000 – 3 HOME units (all 3 high HOME)

Performed by: Daniel R. Gaulin, subcontractor to FinePoint Associates

November 16, 2010 Updated December 29, 2010

On November 16, 2010, I reviewed the project summary and proforma forwarded by Robert Muollo of the Newton Planning and Development Department. Mr. Muollo subsequently forwarded an appraisal, relocation plan, bank commitment letter, scope of work with preliminary estimate and update proformas on December 28, 2010.

Executive Summary

Based on the information submitted, the project has been well-conceived by its developer and it is compliant with the underwriting guidelines of the U.S. Department of HUD and the local Subsidy Layering Review adopted by the WestMetro Consortium.

Project Description

The project will consist of the purchase of an occupied 4-unit building and the renovation and reconfiguration of this building into 3 2-BR rental units, one of which will be handicapped accessible. The project will require relocation and \$20,800 has been budgeted for this expense. The project developer provided Newton Planning and Development with an itemized budget and it appears that the budget will be adequate. All three units will be high HOME units and will be rented to HOME-eligible tenants at the high HOME rent.

Sources and Uses

The total development cost is projected to be \$1,370,000 (\$456,667/unit), which includes a \$10,000 replacement reserve. The project sources are also projected to be \$1,370,000. The sources and uses detailed all financing and all project costs. The overall cost is within the range that is seen for preservation projects in strong market locations.

Notes on Sources

The proforma indicates that there will be \$175,000 of bank financing and \$50,000 of private foundation support. The developer has provided a commitment letter issued by Cambridge Savings Bank which confirms the details of the loan shown on the proforma. The key terms are an initial 4% interest rate which could adjust as high as 5% after the initial 5 year period at 4%. The proforma has accounted for this change and demonstrates that under reasonable assumptions, the project cash flow can absorb the potential for a 5% interest rate. The remainder of the funds are within the control of the City of Newton or the WestMetro HOME Consortium.

Notes on Uses

The single biggest cost is the acquisition cost. The acquisition cost was documented by a copy of a Purchase and Sale Agreement that was signed on November 5, 2010. The price is \$780,000. The City of Newton commissioned an as-is appraisal that was performed by Shepherd Associates; the as-is value as of December 17, 2010 is \$780,000.

The project summary contained a description of the work and an estimate of the costs. The description and estimate were prepared by the project's architect.

The soft costs are consistent with what I saw during my nine-year career at DHCD reviewing HOME, HSF and tax credit developments.

The developer fee and overhead is projected at \$123,696 or 10% of all other project costs. It is a reasonable fee for a project of this size, complexity and risk. Moreover, to the extent that the fee is at risk, it provides the bank and the City of Newton a bit of a cushion against cost overruns.

Income and Expenses

All income is noted on the submitted operating proforma; note that there are no pay laundry facilities, no commercial units and parking is free. The projected rents are within the HOME limits assuming that the utility allowance for tenant-paid gas heat, gas cooking and unit electricity does not exceed \$145/month.

The projections for income and expense inflation are higher than the experience of the recent past. Rather than a 3% increase in income, the developer should consider running the numbers at 2% and rather than 4% for the expenses, 2.5% is more in line with recent expense inflation. However, revision of these underwriting assumptions does not change the overall projection that this is a financially feasible project. The vacancy rate assumption is reasonable: 5%.

The management fee is 7% of gross income, which is reasonable for a small building. If the projections are based on the current owner's actual bills, it would be helpful to have copies of recent insurance, utility and tax bills in the file. The replacement reserve at \$500/unit is appropriately higher than on larger projects (\$300-350/unit) since this is a moderate rehabilitation of an occupied building. With regard to real estate taxes, to the extent that the building's assessment is a function of its income, the reconfiguration to 3 units and the imposition of HOME limits will likely result in less future income; hence a lower value for the building. The developer may be able to file for a reduction in assessment which in turn will result in lower real estate bills.

The proforma shows that the bank loan has an interest rate of 4% for the first 6 years and a rate of 5% thereafter. These terms are attractive, and the commitment letter confirms that the first adjustment is capped at 5%.

updated 22 March 2011, A. Ingerson

City of Newton, Massachusetts Community Preservation Fund		Fiscal 2011
Fiscal 2011 AVAILABLE FUNDS & FUNDING DECISIONS		(revised from budget)
REVENUE		
local CPA surcharge		\$2,353,480
state matching funds (fy11 confirmed)		\$616,589
additional local revenue:		
fund balance (fy11 revised from budget)		\$3,531,193
interest (fy11 revised from budget)		\$45,000
	TOTAL REVENUE	\$6,546,262
EXPENDITURES		
PROGRAM ADMINISTRATION & DEBT SERVICE		
program administration (max 5% of current-yr funds, fy11 revised from budget)		(\$134,818)
debt service for Kessler Woods (final payment in fiscal 2014)		(\$555,750)
debt service for 20 Rogers St. (final payment in fiscal 2017)		(\$327,038)
	TOTAL Program Administration & Debt Service	(\$1,017,606)
	AVAILABLE FUNDS after program administration + debt service	\$5,528,657
NEW PROJECT APPROPRIATIONS by Board of Aldermen		
in FISCAL 2011		
20 Rogers Street - Supplemental		(\$452,000)
City Archives - Survey		(\$46,640)
Early Architecture Survey, 1830-1840		(\$37,500)
City Historic Buildings Survey		(\$98,780)
	TOTAL New Appropriations	(\$634,920)
	AVAILABLE FUNDS after new appropriations to date	\$4,893,737
GPC RECOMMENDATIONS PENDING with Board of Aldermen		
61 Pearl Street (housing)		(\$665,500)
112-116 Dedham Street (housing)		(\$1,103,500)
	TOTAL Recommendations Pending	(\$1,769,000)
	AVAILABLE FUNDS if all pending recommendations were funded in full	\$3,124,737
PROPOSALS SUBMITTED to CPC		
City Archives - Engineering Plans & Maps		(\$1,903,000)
Historic Burying Grounds, Phase 2b: Tomb Repair (revised from original proposal)		(\$602,049)
	TOTAL Proposals Pending	(\$2,505,049)
	AVAILABLE FUNDS if all pending proposals were funded in full	\$619,688
PROPOSALS ANTICIPATED but not yet submitted to CPC		
Museum Archives (estimated construction funding request)		(\$510,000)
City Hall War Memorial Auditorium		(\$250,000)
Open Space Plan		(\$4,000)
	TOTAL Proposals Anticipated	(\$764,000)
	AVAILABLE FUNDS if all anticipated proposals were funded in full	(\$44,312)

61 Pearl Street Community Housing

location: 61 Pearl Street
Newton Corner, MA 02458

goals: Create 3 units of permanently affordable rental housing, each with 2 bedrooms, for households at up to 60 percent of area-wide median income, in a building that dates to approximately 1870. The first-floor unit will be fully accessible.

total funding:

\$665,000	CP funds requested (community housing)
\$190,684	CDBG (Community Development Block Grant federal funds, incl. de-leading)
\$289,316	HOME (federal funds)
\$175,000	Private bank acquisition loan (final mortgage after reduction by federal & CP funds)
\$50,000	Foundation grants
\$1,370,000	TOTAL PROJECT COST

contacts: Josephine McNeill, Executive Director
Citizens for Affordable Housing in Newton
Development Organization (CAN-DO)
1075 Washington St.
West Newton, MA 02465
email: jam_cando@msn.com
phone: 617.964.3627
website: www.newtoncando.org

PROPOSAL REVIEW & APPROPRIATIONS

- 15 October 2010 proposal & financial information (incl. project development & operating budgets, financing commitments, sponsor mission statement & annual budget)
 - 15 October 2010 proposal attachments (incl. community need & outreach, option to purchase, site & floor plans, fair housing & accessibility)
 - 15 October 2010 property photos from real estate website
 - 15 October 2010 sponsor's 2009 audited financial statement
 - 15 October 2010 sponsor's mission & past projects
- updates & additions to original proposal 11/3**
- 14 October 2010 home inspector's report (document may be slow to load)
 - 5 November 2010 purchase & sale agreement (long document, may be slow to load)

- 23 November 2010 bank appraisal (long document, may be slow to load)
 - 1 December 2010 community support petition
 - 6 December 2010 sponsor's organizational finances (regular quarterly report to Newton Planning & Development Board)
 - 15 December 2010 public hearing presentation, including: photos, updated site & floor plans and budget summaries (long file, may be slow to load)
-
- 27 December 2010 revised development & operating budgets
 - 27 December 2010 independent appraisal required for federal funding (long document, may be slow to load)
 - 28 December 2010 scope of work for proposed construction, highlighting "green" elements
 - 28 December 2010 Newton Housing Partnership recommendation
 - 29 December 2010 independent project budget analysis required for federal funding
 - 7 January 2011 City of Newton Housing Staff memo
 - 7 January 2011 deed (confirming ownership by CAN-DO)
-
- 15 February 2011 CPC funding recommendation
 - 4 March 2011 table comparing recent affordable housing projects in Newton

PROJECT NEWS

CONTACT:
Alice E. Ingerson, Ph.D., Community Preservation Program Manager
Newton Planning & Development Department
City Hall, 1000 Commonwealth Ave., Newton, MA 02459
phone: 617.964.1141, email: aingerson@newtonma.gov, TDD / TTY: 617.964.1039

#45-11
#45-11



CITY OF NEWTON, MASSACHUSETTS

Department of Planning and Development



newton
community
development
block
grant
program

11 MAR 29 A 8:51

CITY CLERK
NEWTON, MA. 02159

Setti D. Warren
Mayor

November 26, 2010

To: Planning and Development Board

From: Trisha Kenyon Guditz, Housing Program Manager
Robert Muollo, Jr., Housing Planner

Cc: Candace Havens, Interim Planning Director
Amy Yuhasz, Associate Director for Housing and Community Development

Re: Request by Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO) for \$190,683.58 in FY11 CDBG and \$289,316.42 in FY10 and FY11 HOME funds for a mortgage buy down and lead paint abatement for 61 Pearl Street.

Project description

Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO) is requesting a total of \$480,000 in federal funds (\$190,683.58 in FY11 CDBG funds and \$289,316.42 in FY10 and FY11 HOME Program funds) to buy down a first mortgage and to delead a multi-family property located at 61 Pearl Street in Newton Corner.

The property consists of a 2 1/2-story building that was constructed in the early 1870s and an attached 1 1/2-story rear addition constructed prior to 1874. The main building and addition currently include three one-bedroom and one two-bedroom rental units (three units in the main building and one unit in the rear addition). The units are currently occupied and the estimated cost of relocation of the existing tenants is built into the development budget.

The proposed project will provide three two-bedroom rental units to tenants whose gross annual household income cannot exceed 65% of area median income. (For a four-person household this is \$59,670.) Rents are restricted to the High HOME rent which is \$1,321 for two-bedroom units. Prospective tenants can use Section 8 vouchers, but the rent is still restricted to the HOME rent.

The proposed project includes reconfiguring the main house and addition:

The ground floor unit (Unit #1) will be accessible to individuals with mobility impairments and will have front and rear entry and exit ramps. Currently, the kitchen/dining and living room of the rear unit (existing Unit #4) are on the ground floor and abut Unit #1. The proposed ground floor plan converts the Unit #4 ground floor space into a bedroom, bathroom and closet for Unit #1. Unit #1 is 1,572 s/f which includes 352 s/f for the two ramps.

The proposed second floor (Unit #2) will be reconfigured to include the bedroom of the existing Unit #4 unit (the rear unit). Unit #2 is 1,318 s/f which includes 100 s/f of covered deck.

Housing and Community Development Division
 1000 Commonwealth Avenue, Newton, Massachusetts 02459-1400
 Telephone (617) 796-1120 Telefax (617) 796-1142 TDD/TTY (617) 796-1089
www.ci.newton.ma.us/cdbg

The proposed third unit (Unit #3) will be located in the addition and is 1,021 s/f including 118 s/f of covered deck.

The project site has six existing parking spaces. Under the zoning ordinance, two parking spaces per unit are required. The two parking spaces for the first floor unit will accommodate a van and include a standard accessible space as well.

The total development cost is \$1,370,000. In addition to the requested CDBG and HOME funds, the other proposed sources of funding include \$665,000 in Community Preservation Funds, \$50,000 from a private foundation(s) and a \$175,000 first mortgage (after the \$650,000 take out in CDBG, HOME and CPA funds). The total public subsidy requested is \$1,145,000 or \$381,667/unit.

The cost of acquisition is \$780,000 and CAN-DO has a signed Purchase and Sale Agreement dated November 5, 2010. (The original asking price was \$899,000.) The City is requiring an arm's length as-completed appraisal of the property and is seeking estimates for this service currently. Under the Purchase and Sale Agreement, CAN-DO is obligated to obtain a mortgage on or before December 10, 2010. Cambridge Savings Bank is the lender and has offered, pending approval of the federal funds, a 10-year mortgage at 4% for the first five years with an adjustment in years 6-10 with an interest rate floor of 4 percent and capped at 5 percent. The first two years of the loan are interest-only.

The estimated cost of construction, including a 10% contingency, is \$354,948 which is based on an extensive home inspection report by Paul Cornell and Associates. The full report can be found at www.newtonma.gov/cpa/projects.htm.

The proposed project meets needs identified in the Consolidated Plan for providing rental housing for low-income households and increasing the City's inventory of accessible affordable units.

HOME requirements

All three units in the project will be designated as HOME-assisted and subject to HOME Program regulations. CAN-DO will be acting in its capacity as a Community Housing Development Organization (CHDO) in the form of project developer and owner.

CAN-DO's request of CDBG funds for mortgage debt reduction and rehabilitation/deleading as well as HOME funds for mortgage debt reduction are eligible activities under the HOME and CDBG programs.

Maximum HOME subsidy limits

The HOME subsidy per unit is \$96,438.81, which is below HUD's maximum per unit subsidy limit for two-bedroom units (\$187,196.00).

Affordability period

The HOME Program requires an affordability period of 15 years. However, the City will request that these units be affordable in perpetuity through execution of a rental Regulatory Agreement between the City, CAN-DO, Inc. and the MA Department of Housing and Community Development. The affordability period will be enforced by a deed restriction running with the land.

Income targeting and rents

The HOME-assisted units are subject to the High HOME rent which is currently \$1,321. CAN-DO has proposed to pay for all utilities. As a result, a utility allowance is not required to be deducted from the High HOME rent. At initial lease up, the HOME-assisted units must be rented to households whose

income does not exceed 60 percent of area median income. The initial income targeting requirement does not apply throughout the affordability period, and households earning up to 65 percent of area median income will be eligible to rent the units thereafter.

Using the City's Affordable Rent Policy threshold, which states that rent (not including utilities) cannot exceed 35 percent of monthly adjusted household income, the current rent would be affordable to three-person households earning no less than 54 percent of area median income and four-person households earning no less than 49 percent of area median income. The analysis accounts only for households without Section 8 Vouchers.

Income determination

CAN-DO must income-certify tenant eligibility upon initial rent-up and then on an annual basis using the "Part 5 Definition" methodology (formerly referred to as the "Section 8" definition of income.)

Property and labor standards

Prior to occupancy, the property must meet the City's policy for minimum property standards for rehabilitation as well as local and state code. On-site inspections by the City must be conducted once every three years. CAN-DO has stated that the proposed rehabilitation work will address structural, mechanical and code-related deficiencies. Modifications and additions to the heating system and added insulation are included energy efficiency improvements. Sustainable building materials will also be used, where possible. The prevailing wages of the Davis-Bacon and related labor acts do not apply to this project.

Total development cost and per unit subsidy comparison

For comparative purposes, the table below shows the total development costs and total public subsidy per unit of rental and ownership projects with similar affordable units and scope over the past five years.

Project Address/ Sponsor/Year	Project Type and Scope	# of Affordable Units	Total Development Cost	Total Public Subsidy/Unit*
61 Pearl Street CAN-DO 2010	Rental - Acquisition and Rehab	3	\$1,370,000	\$381,667
2148-50 Commonwealth Ave. CAN-DO 2009	Rental - Acquisition and Rehab	2	\$950,000	\$337,500
3 scattered site units Advocates, Inc. 2007	Rental - Acquisition Only	3	\$830,648	\$138,441
11-13 Cambria Road CAN-DO 2006	Rental - Acquisition and Rehab	2	\$1,437,511	\$315,512
20-22 Falmouth Street CAN-DO 2005	Rental - Acquisition and Rehab	2	\$1,178,933	\$325,601
163 Jackson Road CAN-DO 2005	Rental - Acquisition and Rehab	2	\$1,178,048	\$325,158
19 West Street Advocates, Inc. 2004	Rental - Acquisition and Rehab	2	\$676,400	\$300,000
Ownership Projects				
248 Elliot Street CAN-DO 2004	Ownership - Acquisition, Rehab and New	3	\$2,279,415	\$304,313

	Construction			
1101 Chestnut Street CAN-DO 2006	Ownership - Acquisition and New Construction	2	\$3,680,926	\$282,641

*Includes public subsidy grants and loans

Financial feasibility

The feasibility analysis is based on the development pro forma and 10-year operating budget, dated November 5, 2010. The analysis draws from underwriting guidance from HUD, industry standards where available, and the results of the subsidy layering analysis conducted by the City's independent HOME consultant. Particular items to note are identified below:

The developer fee represents 10 percent of the total project hard and soft costs. A comparison of developer fees from past rental projects shows this fee to be on the higher end of the comparative range. The range included relatively low developer fees for similar projects (6 and 4 percent, for example). However, the developer fee is consistent with the state's allowable 10 percent for comprehensive permit rental projects and less than the Federal Home Loan Bank's 12.5 percent cap, and HUD's safe harbor for project-based subsidy rental projects which is 12 percent.

The 10-year operating budget's trending of revenue and expenses (3 percent and 4 percent, respectively) was recommended by the Housing Partnership and falls between the conservative trend required by the City's One-Stop Application for local and federal funds (3 percent and 5 percent), and the HOME consultant's observation of recent market trends of 2 percent for revenue and 2.5 percent for expenses. With current revenue and expense amounts for the operating budget, the threshold at which the project could not maintain debt service for the full 10-year term would be an annual rate of increase in expenses of 4.3 percent and an annual increase in income remained at the current 3 percent.

The terms of the Cambridge Savings Bank loan are viable if the interest rate does not rise above 5 percent, as the HOME consultant's analysis points out. It is unclear if any bank fees would be charged beyond typical closing costs and whether the development pro forma has budgeted for these potential expenses. A letter of interest from the bank is recommended.

As also stated in the HOME consultant's analysis, it is essential to ensure that the utility projections are conservative and based on current utility and tax bills. If any utilities are paid for by the tenant at any time, a utility allowance amount must be applied, which will cause a reduction in the allowable HOME rent.

Operating replacement reserve amounts per unit (\$500/unit) is between the conservative amount of \$700 recommended by HUD and \$300/unit as referenced by the HOME consultant's analysis. The Housing Renovation Project Summary notes that after project completion, major maintenance should be deferred for the near future, with most maintenance expected for the exterior property such as ramp and deck surface treatment, gutter cleaning and landscaping work.

Overall, the project assumptions are reasonable. It should be noted that long-term project viability may be most dependent upon the bank's loan terms, as the HOME consultant's analysis points out, as well as CAN-DO's ability to continue to pay all utilities, so allowable rents do not decrease.

Relocation

The project must meet Uniform Relocation Act requirements due to the proposed provision of federal funds. Relocation funds are included in the cost of development and are based on the following calculation:

\$100 rent differential (Difference between current rents and a market rent which is estimated to be \$1400 for a two-bedroom unit) x 4 units x 42 months (maximum allowable time to provide assistance) = \$16,000 (\$4,000/unit for rent payments) + \$4,000 (\$1,000/unit moving expenses) = **\$20,800**

The existing tenants appear to be paying below market rate rents but higher than the High HOME rent. Tenants in the one-bedroom units pay between \$1,150 and \$1,200/month not including utilities. The tenant in the two-bedroom unit pays \$1,400/month not including utilities. A quick examination of current market rents in Newton shows the availability of one-bedroom units for \$1,250/month and two-bedroom units at \$1,450/month not including utilities.

Architectural accessibility

The proposed project includes one first floor unit that is accessible to people with mobility impairments and will be designed and constructed to be in compliance with MA Architectural Access Board and regulations at 521 CMR. The unit will also have a front and rear entry and exit ramps. Only one ramp is required under code. The project is not required to be accessible under either state or federal fair housing requirements. However, the provision of an accessible unit meets needs identified in the FY11-15 Consolidated Plan and the recent policy guidance from the Mayor's Affordability and Accessibility Working Group. The cost to only rehabilitate Unit #1 is \$42,750. The project architect estimates that it requires an additional \$111,319 to make the unit accessible. The funds required to make the unit accessible are slightly more than 10 percent of the total public subsidy requested.

Fair housing

HOME rental projects require submittal of a tenant selection, tenant participation and affirmative marketing plan to the Planning and Development Department for review and approval. Certain marketing requirements and selection procedures also need to be followed when the accessible unit is marketed initially and upon turnover, regardless of waitlist status. CAN-DO's reasonable accommodation and modification policy has already been approved by the Department.

Summary of principle aspects of the project

Meeting objectives identified in the Consolidated Plan

The proposed project meets two chief objectives identified in the recent Consolidated Plan: the development of affordable rental housing for low-income households and increasing the City's supply of affordable accessible housing. Although the rents are based on what households at 65% of area median income can afford, CAN-DO is assuming the availability of Section 8 vouchers which are limited to households at or below 50% of area median income.

The provision of an accessible unit and associated cost

Providing a unit that is accessible to a person with mobility impairment is not required under state or federal law. The provision of an accessible unit, particularly where it is not required, is a significant benefit of this project. The *additional cost* to provide an accessible unit is estimated to be \$111,319. The financial implication of providing accessibility needs to be taken into consideration since it increases the public subsidy per unit cost by an additional 10 percent to \$381,667.

Reducing existing rental units vs. units deed restricted in perpetuity

The existing building is providing slightly below market rate rental housing to four tenant households. CAN-DO's project will reduce the number of units to three but the units will be deed restricted in

perpetuity and the City will complete the paperwork to have the units listed on the state's Subsidized Housing Inventory.

Assumptions regarding rental income

CAN-DO is relying on the availability of Section 8 vouchers which, according to CAN-DO, has not been problematic in past. However, their availability is an assumption and not guaranteed. Irrespective of whether a tenant has a Section 8 voucher, the rent CAN-DO may charge is still limited to the High Home rent. (CAN-DO is assuming the entire cost of utilities which is estimated at \$5,200 annually.) The difference, therefore, between the High Home (\$1,321) and Newton exception rent exclusive of utilities (1,466) for a two-bedroom unit is \$145. This comparison is provided since CAN-DO's operating income for past rental projects is based on Newton exception rents.

Summary

CAN-DO has submitted a proposal that meets two significant needs articulated by the City in its Consolidated Plan. In addition, the feasibility of the project is dependent on certain presumptions that require evaluation and concurrence. Staff believes that the primary elements of the project have been identified in this memo and that a judicious determination can subsequently be made.