

CITY OF NEWTON

IN BOARD OF ALDERMEN

FINANCE COMMITTEE REPORT

MONDAY, APRIL 25, 2011

Present: Ald. Gentile (Chairman), Ciccone, Linsky, Salvucci, Rice, Danberg, Fuller, and Freedman

Also present: Ald. Albright, Crossley, Harney, Hess-Mahan, Johnson, and Shapiro

City officials present: John MacGillvray (Veteran's Agent), Maureen Lemieux (Chief Financial Officer), David Wilkinson (Comptroller), Alice Ingerson (Community Preservation Planner), Nancy Grissom (

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]

ACTION: **APPROVED 8-0**

NOTE: The Cousens Fund is a charitable trust that provides financial aid to residents that are facing a temporary but severe financial issue. Money provided by the Cousens Fund is used for one-time needs. The trustees of the fund make the decision to approve or not to approve a resident's application for aid. The Committee requested further details on the uses of the funds from Sally Pellegrom, the Administrator of the Cousens Fund. Comptroller David Wilkinson has since spoken with Ms. Pellegrom, who is willing to provide a report to the Committee. Mr. Wilkinson also provided the attached Trust and Agency Fund financial report dated March 31, 2011.

The Mayor is reappointing Doris Breay as a trustee of the Newton Cousens Fund for a three-year term of office. Ms. Breay has served as a trustee since 2006 and provided a detailed resume to the Committee, which is attached. The resume details Ms. Breay's experiences and qualifications to serve as a trustee. Ald. Ciccone moved approval of the reappointment, which carried unanimously.

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]

ACTION: **APPROVED 8-0**

NOTE: The Mayor is reappointing Mark Derby as a trustee of the Newton Cousens Fund for a two-year term of office. Mr. Derby has served as a trustee since 2008 and provided a detailed resume to the Committee, which is attached. Mr. Derby is a certified public

account with a strong investment background. Ald. Fuller moved approval of the reappointment, which carried unanimously.

#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]

ACTION: **APPROVED 8-0**

NOTE: The request is for an additional \$6,000 to supplement the advertising accounts in the Board of Aldermen. The account was budgeted at \$7,000, which is the average cost of advertising over the past five-years. However, in the summer of 2010 the News Tribune notified the City it would no longer be a daily paper and would only focus on Waltham. Massachusetts general law requires the City to publish public hearing notices in a daily newspaper. Therefore, the Board of Aldermen legal notices are now published in the Boston Globe. The Boston Globe's rates for legal notices are almost twice as expensive as what the News Tribune charged. The Clerk of the Board's Office has spent \$7,860 on advertising as of March 15, 2011, which exceeds the original budget amount by \$860. The Clerk of the Board has transferred funds from other accounts to address the shortfall but still needs additional funds to continue publishing legal notices as required by State law.

The Committee understood the need for the additional funds and Ald. Fuller moved approval, which carried unanimously.

#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]

ACTION: **APPROVED 8-0**

NOTE: The request is to transfer money between accounts within the Planning Department for design software for large-scale projects such as Needham Street. The funds would be transferred from a Planning Department grants account to a Planning Department PC software account. The Committee voted in favor of a motion to approve the transfer, as the software is a necessary tool for the Planning Department.

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]

ACTION: **APPROVED 7-0-1 (Freedman not voting)**

NOTE: Veteran's Agent John MacGillvray reviewed the request for a transfer of funds from Budget Reserve to supplement the veteran benefits account. There was a similar request for \$40,000 in November 2010 and at that time; the Veterans' Agent informed the Committee

that additional funds would be required before the end of the fiscal year. There has been an increase in veterans' benefits disbursed this year most likely due to economic times and the aggressive identification of veterans who qualify for benefits by both the Veterans' Agent and the Mayor. The benefits account is currently running in a deficit; however, the Comptroller has allowed the department to continue to make payments.

The City receives a reimbursement from the State for 75% of the payments to veterans for benefits at the end of the year. Mr. MacGillvray is hopeful that the requested \$30,000 will provide funding until the end of the fiscal year. In addition, there has been discussion regarding creating some type of emergency fund for veterans' who require immediate financial aid. The Veterans' Agent also works with various funds, such as the Cousens Fund, and programs to assist veterans in emergencies.

Ald. Salvucci moved approval of the item, which carried unanimously.

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]

COMMITTEE ON COMM. PRES. APPROVED 5-0-2 (Harney, Blazar abstaining) on 03-29-11

ACTION: APPROVED 7-0-1 (Freedman not voting)

NOTE: The Community Preservation Committee is unanimously recommending that \$665,500 of Community Preservation funds be used to renovate 61 Pearl Street to create three units of affordable housing with a total of six bedrooms. The Newton Housing Partnership supports the project and the Board of Aldermen's Committee on Community Preservation has recommended approval of the project. The Committee on Community Preservation Reports are attached. The Community Preservation Committee based its recommendation on the reasonable cost of the project, the ability to renovate to provide a wheelchair accessible first-floor apartment, and its location's suitability as it is near public transportation, schools, and retail shops. The petitioner, CAN-DO, expects that the housing will serve households at 50% of the median income.

The Committee reviewed the attached finances and budget for the project. The total development cost of the project is \$1,370,000. The petitioner is using four different funding sources for the project. The City of Newton is contributing \$480,000 through two federal housing funds. CAN-DO expects \$50,000 from private foundations, and the requested \$665,500 from Community Preservation Act (CPA) funds. CAN-DO also has a mortgage with Cambridge Savings Bank on the property, which will be bought down to \$175,000. The budget for the project includes a 10% developer fee, which is within the industry standard for small-scale projects and a \$10,000 replacement reserve. The Community Preservation Committee is

recommending that the spending authority for all the CPA funds be the Director of Planning and that all CPA funds be spent 18 months after they become available.

There are some relocation costs associated with the project for the current residents of 61 Pearl Street. There is currently a couple and two single individuals residing at 61 Pearl Street and CAN-DO is federally required to provide relocation services to the current tenants. The proposal also includes \$80,000 from Community Development Block Grant funds for the deleading of the property, which should cover the full lead abatement costs. The attached Summary Scope of Work for the Renovation at 61 Pearl Street provides specific details on the renovation.

The Chairman inquired if there had been any consideration of demolishing the existing building and constructing a new building on the site. The new construction may provide additional units of housing with better accessibility and would require no lead abatement. Josephine McNeil, Executive Director of CAN-DO, and Nancy Grissom, Chair of the Community Preservation Committee responded that the current building is in good condition, maintains the historic inventory and nature of the neighborhood, which corresponds with the City's Comprehensive Plan and the Community Preservation Committee's requirements for the use of funds for affordable housing. The project architect, Terry Heinlein, added that new construction would cause the price of the project to rise significantly. In addition, there would still be costs associated with lead abatement during the demolition of the building.

Ald. Salvucci asked why the contingency for the project was set at 10%. Mr. Heinlein explained that the contingency is approximately \$35,000. The project is a renovation, therefore, there is likely to be unexpected issues that arise during construction. CAN-DO has consulted with a structural engineer and the City inspector has looked at the house. Both the engineer and inspector found no large issues to raise concerns.

Ald. Fuller stated that it was helpful to have the independent analysis for the next affordable housing project on Dedham Street and asked why other projects do not submit the analysis. It was explained that the Dedham Street project is a 40B project that has different requirements than a local affordable housing project.

Ald. Fuller also raised concern regarding the 10-year operating budget projections of revenue increases of 3% and expense increases of 4%. She pointed out that some point in the future, approximately 14 years from now, the expenses will exceed the revenue. It was explained that the trending on the attached proforma is standard. Ald. Danberg pointed out that the Community Preservation Committee recommendation (attached) states "the projections 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% 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 revenue and expense lines may cross at some point but CAN-DO should have the ability to refinance at that point. CAN-DO is not expecting to return to the City for additional funds but may have to if

there are no other options. With that, Ald. Ciccone moved approval of the item, which carried by a vote of seven in favor and one abstention.

Chairman's Note: The Committee asked Ms. McNeil for a brief update on the Veterans' housing located on Commonwealth Avenue. Ms. McNeil responded that the renovation project is completed and CAN-DO has received its certificate of occupancy. The Veterans Administration (VA) has been slow to provide interested families; therefore, the house is vacant. Ms. McNeil has heard that there are two families interested but if the VA has not yet begun the process, CAN-DO will need to open the units up to general affordable housing.

The Chairman requested that Ms. McNeil and/or Community Preservation Planner Alice Ingerson provide regular updates on CAN-DO projects to the Board of Aldermen. It was agreed that the updates would be provided to the Board of Aldermen.

The Committee adjourned at 9:30 p.m. and all other items before the Committee were held without discussion. Draft Board Orders for the above items are attached.

Respectfully submitted,

Leonard J. Gentile, Chairman

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April 26, 2011

TO: Finance Committee

FROM: David Wilkinson

SUBJECT: **Trust Fund Financial Report**

Attached is a copy of the March 31, 2011 Trust and Agency Fund financial report that is posted on the Comptroller's page of the City web site, under the Interim Financial Report link.

This report is generally updated quarterly, however, should something of significance occur prior to the end of a fiscal quarter, the report will be updated more frequently.

Description of Trust Funds and Agency Funds

John C. Chaffin Educational Fund

Established by virtue of the last will and testament of John C Chaffin, dated March 7, 1899, which provided for the distribution of 2/3 of Mr. Chaffin's estate to the City of Newton, upon the death of his daughter, Hattie West Chaffin, for purposes of establishing an education fund. Income from the fund is to be used for purposes of benefiting graduates of Newton High School or any other school of higher grade in Newton in attending college or the Massachusetts Institute of Technology, but are financially unable to do so.

The fund assets were turned over to the City in 1930. Fund is administered by a (7) member board of trustees consisting of the chairman of the School Committee and (6) others, who shall be appointed for life by the Mayor.

Clinton H. Scovell Scholarship Fund

Established under the terms of the will of Clinton H. Scovell and accepted by the City in 1967. The fund consists of a \$472,500 non-expendable balance, the income on which is to be used for prizes for distinguished scholarship in the high schools, upon the terms and provisions as the School Committee shall from time to time determine. A December 18, 1970 opinion of the City Solicitor advises that the terms of the gift seem to restrict the distribution of these funds to students currently attending City high schools, and not for tuition assistance for students graduated from Newton high schools.

Horace Cousens Industrial Fund

Established by virtue of the will of Horace Cousens, with a \$556,850 gift, which was accepted by the City on December 15, 1930. The will provided that the fund was to accumulate income until it reached \$1 million. At the point that the fund principal reached \$1 million, the fund income is to be distributed to the deserving poor of the City who are not inmates of the almshouse. Distributions from fund income shall be made by the trustees of the fund, under such rules and regulations as the trustees shall from time to time adopt.

According to the will, at least 90% of the annual income of the fund is to be distributed to the deserving poor of the City. Not more than 20% of this sum may be loaned, instead of granted, to individuals who are temporarily in financial need.

On September 16, 1986, the trustees received permission from the Probate Court to take \$150,000 in accumulated income and add this sum to the non-expendable principal of the fund. This same court action authorized the trustees to add up to 10% of the annual income of the fund to the non-expendable fund balance.

The fund is administered by a (3) member board of trustees, who are appointed on an alternating basis by the Mayor and the Board of Aldermen. This fund is used to account for loans and or grants to Newton residents who qualify as poor. At least 90% of the annual income of the fund is to be distributed to the deserving poor and not more than 20% of this sum may be loaned to individuals who are temporarily in financial need. Revenues consist primarily of investment income on fund cash and investments.

Thornton Swain Thomas Scholarship Fund

Established under the terms of the will of Charlotte T. Thomas, and accepted by the City on February 5, 1951. The fund consists of a \$5,000 non-expendable gift, the income on which is to be paid to a graduate of Newton High School who has known excellence in English, with a preference to be given to a student who has shown a talent in writing poetry. The trustees shall consist of three members, the principal of the school; the head of the English department and a member of the English department.

Newton High School Scholarship Fund

Established in January of 1959 by Mr. Henry Balos, Chairman of the Newton High School PTA, who set up a fund with Newton Waltham Bank for future donations. The non-expendable fund of \$2,749 was established to benefit deserving Newton High School students who desire further education.

Newton North High School Scholarship Fund

The Newton North High School Scholarship Fund includes a variety of special purpose scholarship and award funds, which had prior to FY 1995 been in the custody of the Newton North High School Principal's Office. These funds are now in the custody of the City Treasurer and under the general ledger control of the City Comptroller.

Newton South High School Scholarship Fund

The Newton South Scholarship Fund includes a variety of special purpose scholarship and award funds, which had prior to FY 1995 been in the custody of the Newton South High School Principal's Office. These funds are now in the custody of the City Treasurer and under the general ledger control of the City Comptroller.

Eric Morgenthal Memorial Scholarship Fund

Established in 1964 by Mr. & Mrs. James Morgenthal in memory of their late son Eric. The fund consists of a non-expendable corpus of \$2,279, the income from which is to be paid to a graduate of Newton South High School, with preference given to men entering Dartmouth College.

Leslie Solomon Memorial Scholarship Fund

Established in 1965 by parents and friends of Leslie Solomon, a graduate of Warren Junior High School that died soon after graduation. The fund consists of a non-expendable corpus of \$4,677, the income from which is to be paid to a graduate of Newton High School, with a preference given to a woman graduate of Warren Junior High School. No relative of the Solomon family may receive benefit from the scholarship fund.

Cecilia F. Betts Merit Scholarship Fund

Established for purposes of awarding a graduating senior of a Newton public high school, who has given evidence of academic excellence and social responsibility, partial financial assistance for college studies at an educational institution that is accredited by a national or regional accredited association.

Mary Cunningham Scholarship Fund

Established in 1945 by the friends of Mr. Bill Cunningham in honor of his mother, Mary Cunningham. The fund consists of a non-expendable corpus of \$2,897. Newton Waltham Bank serves as the trustee.

Board of Aldermen Scholarship Fund.

Established on January 22, 1991 by Ordinance T-120 (BO #596-90) for purposes of providing (2) college scholarships (one for a Newton North High School and one for a Newton South High School) each year to graduating seniors, who have demonstrated an interest in government through their participation in student affairs at their respective schools. Scholarships may be granted up to a maximum of \$1,200 per recipient per year from either investment income or fund principal. The fund is administered by a (3) member board of trustees, consisting of President of Board of Aldermen and two other Aldermen, (1) from Wards 1-4 and a second from Wards 5-8.

Mayor Theodore D. Mann Fig Newton Fund

Established on September 3, 1991 by Ordinance T-172, with a gift from the Nabisco Brands, Inc. Income earned on the gift shall be used for purposes of making grants to graduates of the Newton high schools, who are pursuing a college education or vocational/technical training at an accredited institution and need financial assistance to pursue their educational goals.

To the extent that income allows, (3) scholarship awards shall be made each year, one to a graduate of Newton North High School, one to a graduate of Newton South High School, and one to a graduate of either NNHS or NSHS, who is a participant in the METCo program. The trustees of the John C. Chaffin Education Fund serve as trustees of the Fig Newton Fund.

Student Athletic Scholarship Fund

Established on June 17, 1991 by Board Order #30-91(E-1&2), with \$40,000 in lieu of tax payment from Boston College. Investment income on the \$40,000 principal is to be used for purposes of providing relief from athletic user fees for needy students.

Lawrence W. Gorin (Class of 1955) Scholarship Fund

Established on April 1, 1996 by Board Order #514-95 with a \$5,000 gift from Mr. Lawrence Gorin. The Fund is administered by the trustees of the John C. Chaffin Education Fund and the City Treasurer serves as fund custodian.

The purpose of the trust is to annually provide a scholarship to a graduate of the City's public high schools who has shown a thirst for knowledge and is pursuing a college education at an accredited institution of higher learning which can award, at a minimum, a bachelor degree. In addition to the scholarship, the trustees may make low interest loans from the fund principal or income to graduates of the Newton high schools who are attending an accredited institution of higher education.

The trustees are to accumulate fund income until such time as the fund's principal is deemed to be sufficient to provide an annual scholarship award, provided that prior to such time, the trustees may make low interest loans from the Fund's principal.

Kendrick Fund

Established by virtue of the last will and testament of John Kendrick (January 3, 1825), with a \$1,000 gift. A sum of \$500 per year is to be used to be distributed to needy industrious poor of Newton, especially widows and orphans. Once the principal of the fund reached \$3,000 the trustees are to use the remaining fund income to make loans, secured by real estate mortgages to industrious poor of Newton. Individual loans of not more than \$300 at 5% interest, and repayable within 5 years are allowed. Chapter 145 of the Acts of 1874 named the Mayor and Board of Aldermen as trustees of the fund.

Read Fund

Established under the terms of the will of Charles Albert Read and accepted by the City in 1883. The fund consists of a \$40,000 non-expendable gift, the income on which is to be used for the following purposes: a) to maintain Mr. Read's cemetery plot; for an annual sleigh ride or picnic to the children of Newton Corner, not to exceed \$400 per year; to finance free lectures on scientific subjects at Newton Corner, not to exceed \$400 per year; to fund books for the Public Library at Newton Corner, not to exceed \$600 per year; and the balance to assist poor widows from any part of the City of Newton. The fund trustees shall consist of (5) members appointed by the Mayor, with the approval of the Board of Aldermen.

Elizabeth Spear Infirmary Fund

Established under the terms of the will of Elizabeth Spear, dated September 29, 1915. The gift consisted of the house and land at #89 Walnut Park in Newton; with the understanding that no buildings be put on the land other than those standing at the time of her death, and that the land be kept open as a green spot to help beautify the City; \$1,000 to aid in the care of the property at #89 Walnut Park; \$500 for a public drinking foundation to be located in the City; and \$500, from which income shall be used to provide Christmas cheer for the inmates of the City Farm.

Mabel L. Riley Fund

The Estate of Mabel L. Riley granted a \$5,000 non expendable gift to the City of Newton in 1975. The income on this fund is to be used for special treats for residents of nursing homes and homes for the elderly on holidays and for comforts for the sick throughout the year.

Elderly Tax Relief Fund

The City has accepted Massachusetts General Law Chapter 60, Section 3D, which authorizes implementation of a voluntary tax check-off program for purposes of defraying real estate taxes for elderly and disabled Newton taxpayers with low incomes. This fund is used to account for receipt of voluntary donations and tax relief awards approved by the City's Taxation Aid Committee.

Arnold S. Daniels Jr. Fund

Pursuant to the terms of The Arnold S. Daniels, Jr. Revocable Trust, dated July 20, 2000, this fund is used to assist needy residents of Newton by providing them with monetary distributions to provide food, shelter, and clothing.

OPEB (Other Post Employment Benefit) Fund:

This fund was established by vote of the Mayor and Board of Aldermen in 2010 for purposes of accumulating resources for the funding retiree health benefits.

Agency Fund

This fund is used to account for resources held by the City in a purely custodial nature, such as employee/retiree payroll deductions and student activity funds.

CITY OF NEWTON, MASSACHUSETTS
TRUST AND AGENCY FUND
COMBINING LEVEL BALANCE SHEET
March 31, 2011

	Chaffin Education Fund	Scovell Education Fund	Cousens Industrial Fund	Swain Scholarship Fund	Oak Hill Scholarship Fund	Newton High School Scholarship Fund
ASSETS:						
Cash & temporary investments	\$ -	\$ -	\$ 54,441	\$ 45,420	\$ 58,417	\$ 15,985
Investments	4,629,700	1,116,116	1,812,780	-	-	-
Interest and dividends receivable	8,920	5,697	6,913	-	-	-
Travel advances	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Total Assets	<u>4,638,620</u>	<u>1,121,813</u>	<u>1,874,134</u>	<u>45,420</u>	<u>58,417</u>	<u>15,985</u>
LIABILITIES & FUND BALANCES:						
Warrants payable	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-
Employee payroll deductions payable	-	-	-	-	-	-
Due to other funds	23,774	51,994	-	-	-	-
School activity funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total Liabilities	<u>23,774</u>	<u>51,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Loans	-	-	-	-	-	-
Fund Balance - Non expendable trust purposes	170,800	472,500	1,353,807	5,000	-	2,749
Fund Balance - Unrealized investment gains	1,233,958	238,649	99,886	-	-	-
Fund Balance - Expendable trust purposes	3,210,088	358,670	420,441	40,420	58,417	13,236
Total Fund Balances	<u>4,614,846</u>	<u>1,069,819</u>	<u>1,874,134</u>	<u>45,420</u>	<u>58,417</u>	<u>15,985</u>
Total Liabilities & Fund Balances	<u>\$ 4,638,620</u>	<u>\$ 1,121,813</u>	<u>\$ 1,874,134</u>	<u>\$ 45,420</u>	<u>\$ 58,417</u>	<u>\$ 15,985</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST AND AGENCY FUND
COMBINING LEVEL BALANCE SHEET
March 31, 2011

	<u>North High Scholarship Fund</u>	<u>H. Ferguson Scholarship Fund</u>	<u>Maria Vallone Scholarship Fund</u>	<u>Elicker Award Fund</u>	<u>NSHS Scholarship Fund</u>	<u>Morganthal Scholarship Fund</u>
ASSETS:						
Cash & temporary investments	\$ 138,885	\$ 50,999	\$ 3,415	\$ 28,452	\$ 195,149	\$ 2,840
Investments	538,920	-	-	-	-	-
Interest and dividends receivable	2,256	-	-	-	-	-
Travel advances	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Total Assets	<u>680,061</u>	<u>50,999</u>	<u>3,415</u>	<u>28,452</u>	<u>195,149</u>	<u>2,840</u>
LIABILITIES & FUND BALANCES:						
Warrants payable	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-
Employee payroll deductions payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
School activity funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Loans	-	-	-	-	-	-
Fund Balance - Non expendable trust purposes	-	-	-	-	-	2,279
Fund Balance - Unrealized investment gains	100,327	-	-	-	-	-
Fund Balance - Expendable trust purposes	579,734	50,999	3,415	28,452	195,149	561
Total Fund Balances	<u>680,061</u>	<u>50,999</u>	<u>3,415</u>	<u>28,452</u>	<u>195,149</u>	<u>2,840</u>
Total Liabilities & Fund Balances	<u>\$ 680,061</u>	<u>\$ 50,999</u>	<u>\$ 3,415</u>	<u>\$ 28,452</u>	<u>\$ 195,149</u>	<u>\$ 2,840</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST AND AGENCY FUND
COMBINING LEVEL BALANCE SHEET
March 31, 2011

	Solomon Scholarship Fund	Betts Scholarship Fund	Cunningham Scholarship Fund	Bd of Aldermen Scholarship Fund	Mann Fig Newton Scholarship Fund	Student Athletic Scholarship Fund
ASSETS:						
Cash & temporary investments	\$ 11,966	\$ 10,155	\$ 3,165	\$ 11,739	\$ 47,357	\$ 62,660
Investments	-	-	-	-	-	-
Interest and dividends receivable	-	-	-	-	-	-
Travel advances	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Total Assets	<u>11,966</u>	<u>10,155</u>	<u>3,165</u>	<u>11,739</u>	<u>47,357</u>	<u>62,660</u>
LIABILITIES & FUND BALANCES:						
Warrants payable	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-
Employee payroll deductions payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
School activity funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Loans	-	-	-	-	-	-
Fund Balance - Non expendable trust purposes	4,677	1,597	2,897	191	40,000	40,000
Fund Balance - Unrealized investment gains	-	-	-	-	-	-
Fund Balance - Expendable trust purposes	7,289	8,558	268	11,548	7,357	22,660
Total Fund Balances	<u>11,966</u>	<u>10,155</u>	<u>3,165</u>	<u>11,739</u>	<u>47,357</u>	<u>62,660</u>
Total Liabilities & Fund Balances	\$ <u>11,966</u>	\$ <u>10,155</u>	\$ <u>3,165</u>	\$ <u>11,739</u>	\$ <u>47,357</u>	\$ <u>62,660</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST AND AGENCY FUND
COMBINING LEVEL BALANCE SHEET
March 31, 2011

	Kendrick Welfare Fund	Read Charity Fund	Spear Infirmary Fund	Mabel Riley Senior Fund	Local Tax Relief Fund	Gorin Scholarship Fund
ASSETS:						
Cash & temporary investments	\$ 3,100	\$ 43,728	\$ 4,646	\$ 37,895	\$ 3,962	\$ 5,262
Investments	-	-	-	-	-	-
Interest and dividends receivable	-	-	-	-	-	-
Travel advances	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	20,901
Total Assets	<u>3,100</u>	<u>43,728</u>	<u>4,646</u>	<u>37,895</u>	<u>3,962</u>	<u>26,163</u>
LIABILITIES & FUND BALANCES:						
Warrants payable	-	-	-	-	-	-
Accrued expenses	-	-	-	-	3,875	-
Accrued payroll	-	-	-	-	-	-
Employee payroll deductions payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
School activity funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,875</u>	<u>-</u>
Fund Balance - Loans	-	-	-	-	-	20,901
Fund Balance - Non expendable trust purposes	3,000	40,000	500	5,000	-	-
Fund Balance - Unrealized investment gains	-	-	-	-	-	-
Fund Balance - Expendable trust purposes	100	3,728	4,146	32,895	87	5,262
Total Fund Balances	<u>3,100</u>	<u>43,728</u>	<u>4,646</u>	<u>37,895</u>	<u>87</u>	<u>26,163</u>
Total Liabilities & Fund Balances	<u>\$ 3,100</u>	<u>\$ 43,728</u>	<u>\$ 4,646</u>	<u>\$ 37,895</u>	<u>\$ 3,962</u>	<u>\$ 26,163</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST AND AGENCY FUND
COMBINING LEVEL BALANCE SHEET
March 31, 2011

	Arnold Daniels Fund	OPEB Fund	Agency Fund	Combining Total
ASSETS:				
Cash & temporary investments	\$ 50,360	\$ 137,208	\$ 1,026,297	\$ 2,053,503
Investments	-	-	-	8,097,516
Interest and dividends receivable	-	-	-	23,786
Travel advances	-	-	16,313	16,313
Loans receivable	-	-	-	20,901
Total Assets	<u>50,360</u>	<u>137,208</u>	<u>1,042,610</u>	<u>10,212,019</u>
LIABILITIES & FUND BALANCES:				
Warrants payable	-	-	-	-
Accrued expenses	-	-	-	3,875
Accrued payroll	-	-	-	-
Employee payroll deductions payable	-	-	339,472	339,472
Due to other funds	-	-	-	75,768
School activity funds	-	-	341,351	341,351
Other liabilities	-	-	361,787	361,787
Deferred revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,042,610</u>	<u>1,122,253</u>
Fund Balance - Loans	-	-	-	20,901
Fund Balance - Non expendable trust purposes	-	-	-	2,144,997
Fund Balance - Unrealized investment gains	-	-	-	1,672,820
Fund Balance - Expendable trust purposes	50,360	137,208	-	5,251,048
Total Fund Balances	<u>50,360</u>	<u>137,208</u>	<u>-</u>	<u>9,089,766</u>
Total Liabilities & Fund Balances	<u>\$ 50,360</u>	<u>\$ 137,208</u>	<u>\$ 1,042,610</u>	<u>\$ 10,212,019</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST FUNDS
COMBINING LEVEL OPERATING STATEMENT
July 1, 2010 - March 31, 2011

	Chaffin Education Fund	Scovell Education Fund	Cousens Industrial Fund	Swain Scholarship Fund	Oak Hill Scholarship Fund	Newton High Schl Scholarship Fund
REVENUES:						
Gifts & donations	\$ -	\$ -	\$ 17,797	\$ -	\$ -	\$ -
Investment income	505,371	134,965	232,605	110	143	38
Other	-	-	-	-	-	-
Total Revenue	<u>505,371</u>	<u>134,965</u>	<u>250,402</u>	<u>110</u>	<u>143</u>	<u>38</u>
EXPENDITURES:						
Awards and scholarships	172,774	24,250	42,089	-	2,000	(250)
Administrative	1,168	-	22,680	-	-	-
Total Expenditures	<u>173,942</u>	<u>24,250</u>	<u>64,769</u>	<u>-</u>	<u>2,000</u>	<u>(250)</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>331,429</u>	<u>110,715</u>	<u>185,633</u>	<u>110</u>	<u>(1,857)</u>	<u>288</u>
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
Excess/(Deficiency) of Revenues & Transfers over Expenditures & Transfers	<u>331,429</u>	<u>110,715</u>	<u>185,633</u>	<u>110</u>	<u>(1,857)</u>	<u>288</u>
Fund Balance - beginning of fiscal year	<u>4,283,417</u>	<u>959,104</u>	<u>1,688,501</u>	<u>45,310</u>	<u>60,274</u>	<u>15,697</u>
Fund Balance - March 31	<u>\$ 4,614,846</u>	<u>\$ 1,069,819</u>	<u>\$ 1,874,134</u>	<u>\$ 45,420</u>	<u>\$ 58,417</u>	<u>\$ 15,985</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST FUNDS
COMBINING LEVEL OPERATING STATEMENT
July 1, 2010 - March 31, 2011

	Newton North Scholarship Fund	H. Ferguson Scholarship Fund	Maria Vallone Scholarship Fund	Elicker Award Fund	Newton South Scholarship Fund	Morganthal Scholarship Fund
REVENUES:						
Gifts & donations	\$ 89,181	\$ -	\$ -	\$ -	\$ 11,750	\$ -
Investment income	65,293	123	8	70	460	7
Other	-	-	-	-	-	-
Total Revenue	<u>154,474</u>	<u>123</u>	<u>8</u>	<u>70</u>	<u>12,210</u>	<u>7</u>
EXPENDITURES:						
Awards and scholarships	47,258	-	-	1,000	24,163	-
Administrative	600	-	-	-	-	-
Total Expenditures	<u>47,858</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>24,163</u>	<u>-</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>106,616</u>	<u>123</u>	<u>8</u>	<u>(930)</u>	<u>(11,953)</u>	<u>7</u>
Transfers from Other Funds	-	-	-	-	9,000	-
Transfers to Other Funds	-	-	-	-	-	-
Excess/(Deficiency) of Revenues & Transfers over Expenditures & Transfers	<u>106,616</u>	<u>123</u>	<u>8</u>	<u>(930)</u>	<u>(2,953)</u>	<u>7</u>
Fund Balance - beginning of fiscal year	<u>573,445</u>	<u>50,876</u>	<u>3,407</u>	<u>29,382</u>	<u>198,102</u>	<u>2,833</u>
Fund Balance - March 31	<u>\$ 680,061</u>	<u>\$ 50,999</u>	<u>\$ 3,415</u>	<u>\$ 28,452</u>	<u>\$ 195,149</u>	<u>\$ 2,840</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST FUNDS
COMBINING LEVEL OPERATING STATEMENT
July 1, 2010 - March 31, 2011

	Solomon Scholarship Fund	Betts Scholarship Fund	Cunningham Scholarship Fund	Bd of Aldermen Scholarship Fund	Mann Fig Newton Scholarship Fund	Student Athletic Scholarship Fund
REVENUES:						
Gifts & donations	\$ -	\$ -	\$ -	\$ 3,085	\$ -	\$ -
Investment income	29	25	7	27	114	154
Other	-	-	-	-	-	-
Total Revenue	<u>29</u>	<u>25</u>	<u>7</u>	<u>3,112</u>	<u>114</u>	<u>154</u>
EXPENDITURES:						
Awards and scholarships	-	-	-	2,000	-	-
Administrative	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>29</u>	<u>25</u>	<u>7</u>	<u>1,112</u>	<u>114</u>	<u>154</u>
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
Excess/(Deficiency) of Revenues & Transfers over Expenditures & Transfers	<u>29</u>	<u>25</u>	<u>7</u>	<u>1,112</u>	<u>114</u>	<u>154</u>
Fund Balance - beginning of fiscal year	<u>11,937</u>	<u>10,130</u>	<u>3,158</u>	<u>10,627</u>	<u>47,243</u>	<u>62,506</u>
Fund Balance - March 31	<u>\$ 11,966</u>	<u>\$ 10,155</u>	<u>\$ 3,165</u>	<u>\$ 11,739</u>	<u>\$ 47,357</u>	<u>\$ 62,660</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST FUNDS
COMBINING LEVEL OPERATING STATEMENT
July 1, 2010 - March 31, 2011

	Kendrick Welfare Fund	Read Charity Fund	Spear Infirmary Fund	Mabel Riley Senior Fund	Local Tax Relief Fund	Gorin Scholarship Fund
REVENUES:						
Gifts & donations	\$ -	\$ -	\$ -	\$ -	\$ 3,315	\$ -
Investment income	7	106	11	91	4	-
Other	-	-	-	-	-	-
Total Revenue	<u>7</u>	<u>106</u>	<u>11</u>	<u>91</u>	<u>3,319</u>	<u>-</u>
EXPENDITURES:						
Awards and scholarships	-	-	-	-	3,875	-
Administrative	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,875</u>	<u>-</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>7</u>	<u>106</u>	<u>11</u>	<u>91</u>	<u>(556)</u>	<u>-</u>
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
Excess/(Deficiency) of Revenues & Transfers over Expenditures & Transfers	<u>7</u>	<u>106</u>	<u>11</u>	<u>91</u>	<u>(556)</u>	<u>-</u>
Fund Balance - beginning of fiscal year	<u>3,093</u>	<u>43,622</u>	<u>4,635</u>	<u>37,804</u>	<u>643</u>	<u>26,163</u>
Fund Balance - March 31	<u>\$ 3,100</u>	<u>\$ 43,728</u>	<u>\$ 4,646</u>	<u>\$ 37,895</u>	<u>\$ 87</u>	<u>\$ 26,163</u>

CITY OF NEWTON, MASSACHUSETTS
TRUST FUNDS
COMBINING LEVEL OPERATING STATEMENT
July 1, 2010 - March 31, 2011

	Arnold Daniels Fund	OPEB Fund	Combining Total
REVENUES:			
Gifts & donations	\$ -	\$ -	\$ 125,128
Investment income	122	208	940,098
Other	-	-	-
Total Revenue	<u>122</u>	<u>208</u>	<u>1,065,226</u>
EXPENDITURES:			
Awards and scholarships	-	-	319,159
Administrative	-	-	24,448
Total Expenditures	<u>-</u>	<u>-</u>	<u>343,607</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>122</u>	<u>208</u>	<u>721,619</u>
Transfers from Other Funds	-	137,000	146,000
Transfers to Other Funds	-	-	-
Excess/(Deficiency) of Revenues & Transfers over Expenditures & Transfers	<u>122</u>	<u>137,208</u>	<u>867,619</u>
Fund Balance - beginning of fiscal year	<u>50,238</u>	<u>-</u>	<u>8,222,147</u>
Fund Balance - March 31	<u>\$ 50,360</u>	<u>137,208</u>	<u>\$ 9,089,766</u>

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

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

CITY OF NEWTON
IN BOARD OF ALDERMEN

2011

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, a transfer of funds in the sum of six thousand dollars (\$6,000) from Budget Reserve to the Clerk of the Board’s Office to supplement the advertising budget, be and is hereby approved as follows:

From:	Budget Reserve (0110498-5790).....	\$6,000
To:	Clerk of the Board Expenses (0110101-5343).....	\$6,000

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

Date _____

CITY OF NEWTON
IN BOARD OF ALDERMEN

2011

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, a transfer of funds in the of two thousand sixty-nine dollars and eighty-six cents (\$2069.86) from the Planning Department’s Economic Development Budget to the Planning Department’s PC Software Account for the purchase of design software, be and is hereby approved as follows:

From:	Planning Expenses (0111404-57-97)	\$2,069.86
To:	Planning Capital Outlay (0111404-58514).....	\$2,069.86

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

Date_____

CITY OF NEWTON
IN BOARD OF ALDERMEN

2011

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, a transfer of funds in the of two thousand sixty-nine dollars and eighty-six cents (\$2069.86) for the purchase of design software for the Planning Department staff, be and is hereby approved as follows:

From:	Planning Expenses (0111404-57-97)	\$2,069.86
To:	Planning Capital Outlay (0111404-58514).....	\$\$2,069.86

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

Date _____



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		61 Pearl Street Development Budget		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	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
	<hr/>	
	\$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: 617.964.3527
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 cost: \$1,370,000	Total City funds requested: \$1,145,000
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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

PEARL STREET PROJECT

TABLE OF CONTENTS FOR ATTACHMENTS

1. Financial
 - A. Development Proforma
 - B. Ten – Year Operating Budget
 - C. Financing Commitment
2. Qualifications
 - A. Statement of Capacity
 - B. Photo of Nonantum Place
 - C. Mission Statement/Annual Budget
3. Community Need
4. Community Outreach
5. Evidence of Site Control
6. Site Plans & Zoning/Permitting
 - A. Aerial Photo/Parcel Map
 - B. Property History
7. Design & Construction
 - A. Existing and Hand-drafted proposed floor plan
 - B. Amenities
 - C. Sustainable elements
8. Fair Housing & Equal Opportunity
 - A. Relocation Plan
 - B. Reasonable Accommodation/Reasonable Modification Plan
9. Architectural Accessibility

CPC submission to Board of Aldermen includes only most recent development & operating budgets, original budgets are online as part of original proposal

2A

STATEMENT OF CAPACITY

CAN-DO has developed numerous projects in the city of Newton over a 16 year period. Four of which were successfully completed utilizing CPA funds. One other is currently under construction.

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**

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				Replacement Reserves
			Acquisition	Construction	Developer Fee/Overhead	Soft costs	
ITEM			Total				
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

Proposal for Community Housing at

61 Pearl Street

8 December 2010,
revised operating budget

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	\$ 41,426	\$ 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	\$	\$ 2,928	\$ 3,045	\$ 3,167	\$ 3,294	\$ 3,425	\$ 3,562	\$ 3,705	\$ 3,853	\$ 4,007	\$ 4,167
TOTAL ADMINISTRATIVE		\$ 2,815	\$ 2,928	\$ 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	\$ 9,880	\$ 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	\$	\$ 3,120	\$ 3,245	\$ 3,375	\$ 3,510	\$ 3,650	\$ 3,796	\$ 3,948	\$ 4,106	\$ 4,270	\$ 4,441
TOTAL UTILITIES	\$ 3,000	\$ 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	\$ 12,300	\$ 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	\$ 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	\$ 12,604	\$ 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	\$ 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	\$ 10,020
DEBT SERVICE			\$ 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	\$ 2,780	\$ 2,865	\$ 2,941	\$ 3,007	\$ 3,062	\$ 3,062	\$ 3,062	\$ 3,062	\$ 3,062
DEBT SERVICE COVERAGE RATIO			1.26	1.28	1.29	1.29	1.30	1.31	1.31	1.16	1.17	1.17

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.

#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%.

Cash Flow - Return on Equity

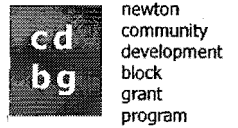
The projected initial cash flow is \$2,584 per year. In order to derive a total return to the developer on this project, the net present value of the cash flows must be calculated and added to the developer fee and overhead. In this case the net present value of 20 years of \$2,584 annual returns at 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%.

#45-11



CITY OF NEWTON, MASSACHUSETTS

Department of Planning and Development



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.

CITY OF NEWTON

IN BOARD OF ALDERMEN

2011

ORDERED:

That, in accordance with the recommendations of the Community Preservation Committee through its Chairman, Nancy Grissom; the Committee on Community Preservation through its Chairman Alderman Susan Albright; and the Finance Committee through its Chairman Alderman Leonard J. Gentile, the sum of six hundred sixty-five thousand five hundred dollars (\$665,500) is hereby appropriated from the fiscal 2011 community housing and general reserves of the Community Preservation Fund to the control of the Planning and Development Department, to create three units of permanently affordable rental housing at 61 Pearl Street in Newton Corner, as detailed in the Newton Community Preservation Committee's February 2011 funding recommendation to the Board of Aldermen

FROM:	CPA 2011 General Reserve (21R10498-5790).....	\$665,000
TO:	61 Pearl St. Housing (21C11418-5797).....	\$665,000

Under Suspension of Rules

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

Date: _____